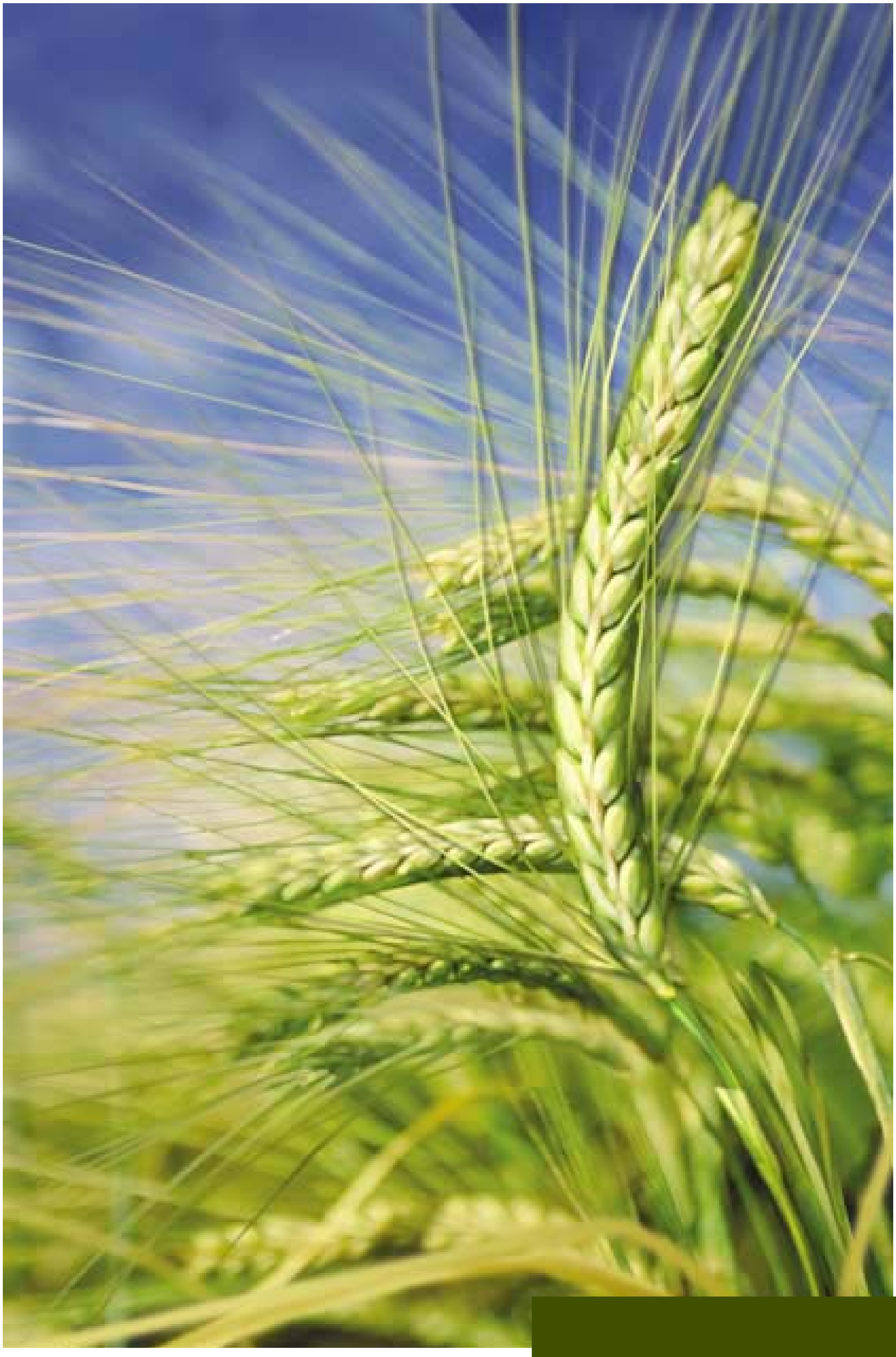

The Andersons Annual Report 2001

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CORPORATE PROFILE

THE ANDERSONS, INC. **(NASDAQ: ANDE)** IS A DIVERSIFIED AGRIBUSINESS AND RETAILING COMPANY WITH ANNUAL REVENUES OF APPROXIMATELY $1.0 BILLION. THE COMPANY, WHICH BEGAN OPERATIONS IN MAUMEE, OHIO IN 1947 WITH ONE GRAIN ELEVATOR AND 500,000 BUSHELS OF STORAGE CAPACITY, TODAY HAS FOUR OPERATING GROUPS: **AGRICULTURE, PROCESSING, RAIL AND RETAIL**. FOR MORE IN-DEPTH INFORMATION ABOUT THE COMPANY, PLEASE VISIT OUR WEBSITE AT **WWW.ANDERSONSINC.COM.**

2001 ACCOMPLISHMENTS

- Earned $1.21 per diluted share in 2001 vs. $1.08 per diluted share in 2000 (before nonrecurring items and cumulative effect of change in accounting principle)
- The Andersons' shares earned 19% (total return)
- Record performance by the Agriculture Group
- Added progressive grain contracting tools
- Ended 2001 with 65.4 million bushels of grain in storage, second largest in our history
- Began producing liquid roadway and runway de-icers, specialty chemicals, and specialty nutrients
- Ended 2001 in control of 5,432 railcars and 51 locomotives, 13% and 70% higher than 2000, respectively
- Created the new Andersons™ Golf Products brand for the professional turf market
- Grew our Retail offerings by adding fresh meat selection at our Maumee Retail Store
- Entered into agreement with FirstEnergy Solutions to better manage our utility expense
- Safety — 2001 was a record year for the number of facilities going accident free

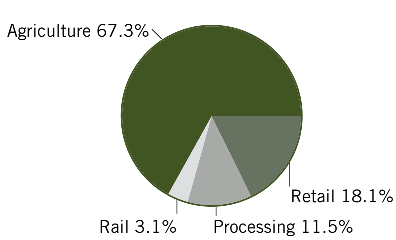
financial highlights

(in thousands, except for per share and performance data)

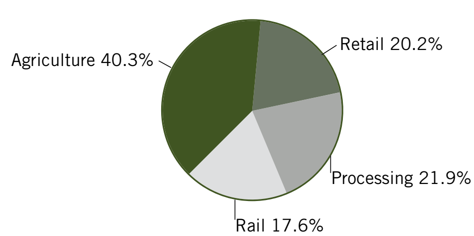
	2001	2000	% Change
Operations			
Grain sales & revenues	$ 480,219	$ 490,820	(2.2)%
Fertilizer, retail & other sales	504,408	470,302	7.3 %
Total sales & revenues	$ 984,627	$ 961,122	2.4 %
Gross profit — grain	$ 52,029	$ 46,789	11.2 %
Gross profit — fertilizer, retail & other	107,316	110,174	(2.6)%
Total gross profit	$ 159,345	$ 156,963	1.5 %
Other income / gains	$ 3,841	$ 7,069	(45.7)%
Income before income taxes and cumulative effect of accounting change	11,931	14,364	(16.9)%
Net income	8,857	10,078	(12.1)%
Effective tax rate	24.2%	29.8%	(18.9)%
Per Share Data			
Net income — basic	$ 1.22	$ 1.34	(9.0)%
Net income — diluted	1.21	1.34	(9.7)%
Net income — diluted before non-recurring items (1)	1.21	1.08	12.0 %
Dividends paid	0.26	0.24	8.3 %
Year end market value	10.00	8.63	15.9 %
Performance			
Pretax return on beginning equity	13.3%	16.9%	
Net income return on beginning equity	9.9%	11.9%	
Long-term debt to equity ratio (2)	1.02-to-1	0.9-to-1	
Weighted average shares outstanding — basic	7,281,000	7,507,000	
Number of employees	3,035	3,112	
EBITDA (thousands)	$ 37,764	$ 39,312	
EBITDA (net of interest to carry grain inventories — thousands)	33,699	34,566	
(1) Diluted EPS	$ 1.21	$ 1.34	
Cumulative effect of change in accounting principle	0.03	—	
Gain on involuntary conversion (net of tax)	(0.03)	(0.18)	
Gain on sales of business (net of tax)	—	(0.08)	
Diluted EPS before non-recurring items	$ 1.21	$ 1.08	

(2) Including pension and postretirement benefits

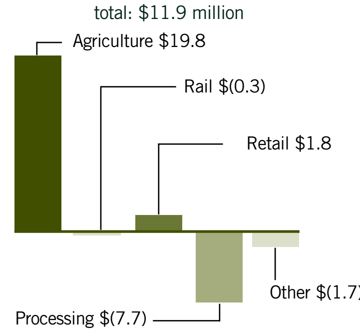
REVENUES
year: $985 million



BEGINNING ALLOCATED CAPITAL
total: $186 million as of 1/1/2001



OPERATING INCOME (LOSS)
total: $11.9 million



to our shareholders

Shareholders and friends,

In a year that will be remembered for sadness, upheaval, and uncertainty, The Andersons turned in a solid performance for shareholders in 2001, providing a 19% total return. Equity investors were looking for consistent, essential industries as the economy slowed and the grave events of September 11 added more confusion for the equity markets. Basic industries, including agricultural products and services, once again prove to provide an attractive choice for investors in difficult times. In 2001, shareholders liked our position in the food chain. We are committed to increasing shareholder value as well as providing extraordinary service to our customers, helping our employees improve and supporting our communities.

Revenue was $984.6 million compared to $961.1 million for 2000. Net income was $8.9 million compared to $10.1 million in 2000. Earnings per diluted share [EPDS] in 2001 was $1.21 vs. $1.34 in 2000. Income in 2001 included a non-cash charge equal to $0.13 per diluted share to recognize the decline in market value of certain rail assets. Included in the 2000 EPS were: 1) an $0.18 per diluted share gain from an insurance recovery [related to one of our fertilizer facilities], and 2) an $0.08 per diluted share from the sale of our interest in a chain of tire and auto centers. On a comparative basis, we are pleased with the quality of earnings from operations, excluding non-recurring gains and accounting changes, in 2001, $1.21 EPDS vs. $1.08 EPDS in 2000.

DICK ANDERSON

Operating performance in 2001 produced mixed results. Our core business, the **Agriculture Group**, achieved a record operating performance. Vigilant attention to inventory positions, margin control and facility utilization were key to a very successful year. Our team added value to the excellent business conditions. Good harvests in our market territory increased demand for grain storage space. Fertilizer demand was strong and our organization performed very well during the heavy spring planting season. Our farm center units made a significant turnaround in 2001. The **Retail Group** turned in a respectable performance, although not as good as in 2000. Lower railcar lease rates and the slowing economy impacted the **Rail Group**. The **Processing Group** was positioned for significant growth in the consumer and professional turf markets, which did not materialize. Excess capacity, high nitrogen costs and a significant slowdown in the golf industry all played a part in Processing's unfavorable performance in 2001. For more detail on the 2001 performance, see the business review pages of this report.

We are very excited about our prospects in 2002. The entire team is dedicated to build on our core competencies and capabilities. We have a long history of physical handling, storing, maintaining, formulating, transporting and financial management of bulk materials. This history has provided us with the opportunity to enhance those bulk materials into added value products and services that provide solutions for our customers. Quality and integrity are a must for long-lasting relationships. With 54 years of experience, we know the importance of long-term relationships.

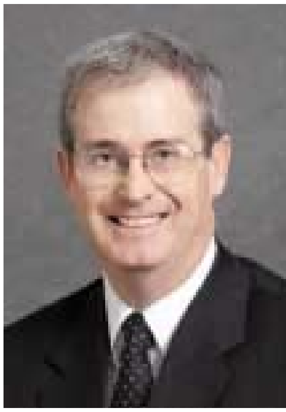
The resurgence of earnings growth in the **Agriculture Group** in 2000 continued in 2001. The Ag Group is our largest investment and the base on which most of our other businesses were created. We ended 2001 with 65.4 million bushels of grain in storage, the second largest level in our history. The huge inventory puts the grain division in an excellent position to generate storage income during the first six months of 2002. Grain inventory supply and demand varies widely from year to year. We believe that demand in the grain markets will force shipments of stored grain early in 2002, and therefore, we do not expect storage income to exceed that of 2001.

The Crop Revenue Profiler™ software program continues to help producers make complex decisions about their crop marketing programs. It integrates the potential of crop insurance, government programs and various marketing contracts to help producers achieve a more predictable result, thus reducing the impact of volatile crop prices. Adding value for our producers ultimately enhances our profitability through fee income and better customer relationships.

During 2001 we spent a significant amount of time developing a grain-growth strategy, including value-added opportunities for our customers. We have added progressive grain contracting tools, which should result in a more secure grain volume and increased fee revenue. We continue to seek marketing opportunities outside our historic marketing regions. As we stretch our professional sales and marketing talents to source and sell more grain, we are committed to increase the efficiency of our grain operations through automation.

The **Wholesale Fertilizer Division's [WFD]** focus on consistent, dependable year-round logistics and supply is capturing market share across all agricultural customer segments. The division continues to look for added capacity adjacent to our market region. In addition, WFD is using its primary agriculture handling and formulating expertise in specialty agricultural and non-agricultural applications. We are now producing liquid roadway and runway de-icers, specialty biological nutrients for wastewater treatment and specialty nutrients for agriculture.

We continue to believe population growth, demand for improved diets and higher standards of living will benefit those invested in the U.S. agriculture system, including The Andersons.



In the **Rail Group**, we thought railcar prices and lease rates were beginning to stabilize; however, the events of September 11 dampened the market. Rates dropped and customers were less likely to take on long-term leases. Fortunately, demand late in the fourth quarter of 2001 started to improve. We are in the process of repairing 400 cars, which should be placed in service with a major customer during the second quarter of 2002. We ended 2001 with 74% of the railcars under management in service. We expect double-digit improvement in our utilization rate in 2002, which would lead to a significant improvement in the Group's income from operations.

Rail had 5,432 railcars under management at the end of 2001, 13% more than in 2000. In addition, we have 51 locomotives, 70% more than a year earlier. New car building is expected to be down in 2002, as is demand for all types of railcars. However, we concentrate on used cars that can be reconfigured to meet customers' needs and to add economic life to the equipment. With lease rates at relatively low levels, our focus is on short-term lease deals, diligent management of inventories, valuation and positions, and stepping up our sales and marketing efforts.

Important components of our Rail business are the repair and maintenance shops. Our long-term quest is to be a total rail solutions provider. The shops have created a number of profitable and exciting rail components, which we design, manufacture, install and lease. The repair and maintenance shops performed nicely in 2001 and should make excellent contributions in future years, both in profits and as a complement to our operating lease business.

The **Processing Group** is getting much of our attention after 2001's very disappointing year. The lawn and professional fertilizer industry suffered one of the worst years in recent history. We continue to work on the integration of our 2000 acquisition of a professional turf business — now Andersons Golf Products™. We believe that the industry must consolidate to service customers with maximum efficiency. Manufacturing capabilities and logistics resources need to be rationalized. Our team was slow to recognize and act on the industry dynamics in 2001. We remain intent on leveraging our position if a consolidation scenario develops.

We have reorganized and downsized several functions in the Group to streamline the business. Volume is expected to grow about 7% in 2002, which will reduce our excess capacity. We have priced and contracted for a larger portion of 2002 nitrogen needs to avoid excessive margin volatility. We have increased our selling prices in certain sectors, which will add margin. Expense control, supply chain efficiency (freight and warehousing), and working capital levels are all being scrutinized. We are determined to turn the business around.

Our **Retail Group** focus is on MORE FOR YOUR HOME™ as its primary product and customer service offering. The addition of fresh meats in the Maumee Store has been a huge success. Fresh meats will be added to the Toledo Store in early 2002 and perhaps in other stores later in the year. The offering complements our other food operations like wine, bakery, and fresh fruits and vegetables. We are looking for other retail products that complement and add shopping frequency for our core product line.

Recent market research suggests that we modify our store design to improve customer flow, which potentially can add to the average sale and more prominently feature select merchandise. We plan to test the new design at the Woodville Store in 2002. Inventory efficiency, in-stock performance and improved technologies in our distribution center are on the drawing board for 2002.

We have been in a holding pattern with six stores for some time. We are starting to evaluate our long-term growth potential, testing site selection models and even evaluating a few specific sites. If we determine growth is justified, we will need to determine the right capital structure for the business.

On the **Corporate/Administrative** front we have been aggressively cutting overhead costs, downsizing in select areas, and intensifying strategic sourcing and procurement efforts to find more efficient and less expensive business practices. These initiatives began early in 2001 and will continue through 2002.

Lower interest rates have allowed us to take more to the bottom line, but more importantly, to lock in additional fixed rate long-term debt at lower rates. The added long-term debt had a positive impact on net working capital, which grew 36% by the end of 2001. This will provide us with more stability in the future. Our balance sheet has grown to over $450 million in total assets. Most of the asset growth is in grain inventories. Contrary to the way most non-commodity businesses operate, high grain inventories are generally a positive indicator for the near future. In our remaining businesses, we are striving to use working capital more efficiently.

Reaching our goals on profitability, working capital management, total shareholder return and long-term strategic planning will demand the best from all of us. We have the talents and resources to meet these challenges. We are committed to leverage the skill sets we have, build on our core competencies, keep our house in order and be prepared to respond to the ever-changing industries and customers we serve.

We expected an improvement in operating income in 2001, after adjusting for the one-time gains reported in 2000, and that was accomplished. However, achieving excellent performance in one sector but a disappointing performance in another sector is not acceptable. We must deal with the volatility to provide long-lasting shareholder value.

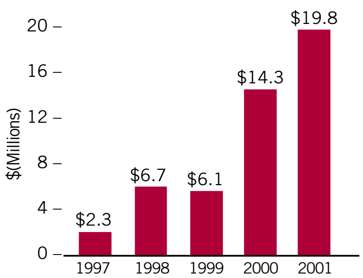
We will rely heavily on the talents of more than 3,000 loyal employees. Their creativity and dedication to provide extraordinary products and service to our customers are keys to our success. We are grateful to them, to our customers and suppliers, and to you, our shareholders.

Sincerely,

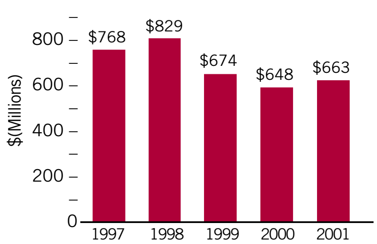
Mike Anderson, **CEO** Dick Anderson, **Chairman**

agriculture group

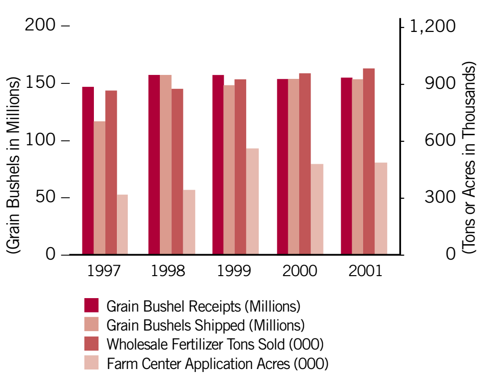
OPERATING INCOME



SALES & REVENUES



UNIT VOLUMES



The Agriculture Group operates grain elevators and fertilizer formulation and distribution facilities in Ohio, Michigan, Indiana and Illinois. Its elevators receive large quantities of grain and oilseeds (primarily corn, soybeans and wheat) from farms and country elevators in the region, store and condition it, then market it via rail or ship to domestic and export processors. Its fertilizer distribution facilities market large volumes of dry and liquid agricultural fertilizers to dealers and company-owned farm centers. The group's farm centers, located in Ohio, Michigan and Indiana, sell fertilizer, crop protection chemicals, seed and field application services to area farms.

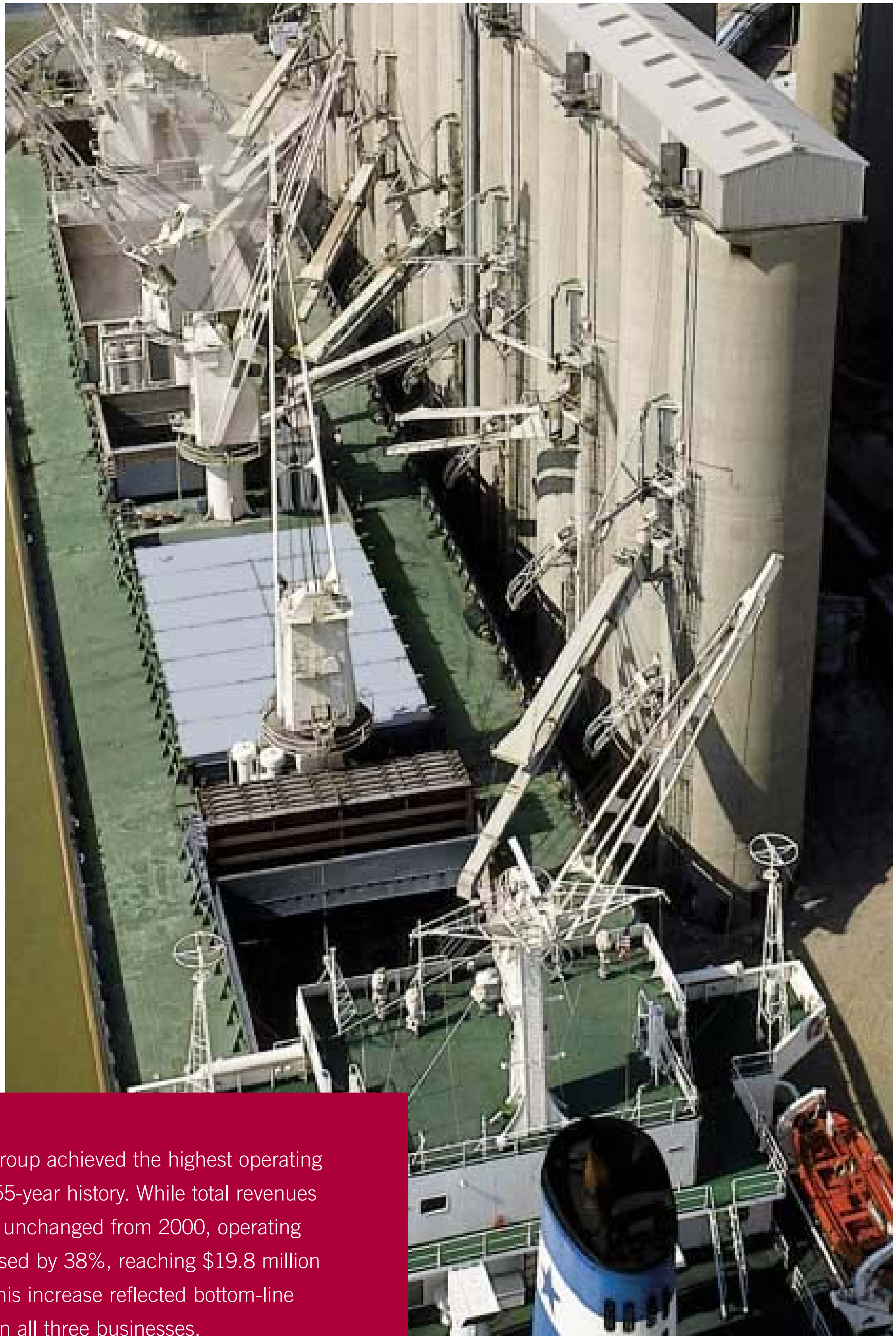
In 2001, the group achieved the highest operating income in its 55-year history. While total revenues were relatively unchanged from 2000, operating income increased by 38%, reaching $19.8 million for the year. This increase reflected bottom-line improvement in all three businesses.

2001 was the fifth consecutive year with relatively good growing seasons and crop yields in the eastern corn belt. While U.S. corn production was down slightly this year, total grain stocks in the U.S. remained quite high, so demand for grain storage continued to be strong, and the group once again achieved higher income from its extensive storage space. Increases in grain drying income and bushel sales volume also contributed to gross profit and operating income growth as did the group's specialty oats business and its service businesses, i.e. its Crop Revenue Profiler™ software, crop insurance marketing programs and licensing agreements.

Operating income growth was also achieved by the group's fertilizer business in 2001, a year when many other participants in the fertilizer industry saw income drop dramatically. Although grain prices remained relatively low, a factor that has dampened fertilizer consumption in the U.S., the group was able to leverage its assets and market position to increase volumes and margins. The group's market share benefited from its strong customer focus, and margins were enhanced as a result of its supply management expertise and growth of new value-added agricultural and non-agricultural products and services.

Excellent progress was similarly achieved by the group's farm centers. Gross profit increased and expenses decreased from consolidation, closure and improved expense management. As a result, this business achieved a modest operating profit for the year.

A sizable portion of the Company's total spending on plant and equipment in 2001 was allocated to the Agriculture Group. In addition to numerous minor and major maintenance projects, significant improvements were made at its Logansport, Indiana facility to accommodate the production of new roadway anti-icer products.



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processing group

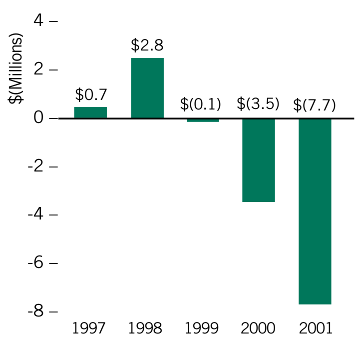
The Processing Group manufactures turf and ornamental plant fertilizer and control products for major retailers in the U.S. and is the industry-leading supplier of premium turf-care products for golf courses and other professional markets. It also produces corncob-based chemical and feed ingredient carriers, animal bedding, cat litter and ice-melter products. The group operates facilities in Maumee and Bowling Green, Ohio; Montgomery, Alabama; Pottstown, Pennsylvania and Delphi, Indiana.

Total revenues in 2001 increased by $5.4 million, or 5%, primarily due to the full-year operation of the premium golf course fertilizer business acquired from The Scotts Co. in mid-2000. The group incurred an operating loss of $7.7 million for the year, more than double the loss it sustained in the previous year.

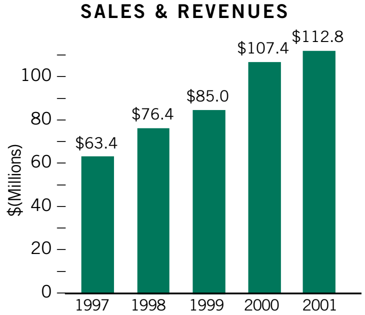
2001 was a very difficult year for the entire lawn industry. Retail fertilizer sales in the U.S. were hurt by softness in the general economy and cold weather experienced early in the spring season. Our sales into the retail distribution channel were also impacted by the efforts of retailers across the country to reduce their in-store inventories. The volume of our turf-care products sold into the golf course market was similarly hurt when the number of golf rounds played per course in the U.S. declined and golf course superintendents scrambled to curtail expenditures wherever possible. Gross margins were hurt by higher raw material costs and a weather-influenced shift away from higher-margin control products such as early-season crabgrass preventers. In response to these factors, we have taken steps to significantly reduce costs. At the same time, we are working to implement a rational market development program that will enable us to better utilize our available production capacity. We expect 2002 to show considerable improvement from 2001 results.

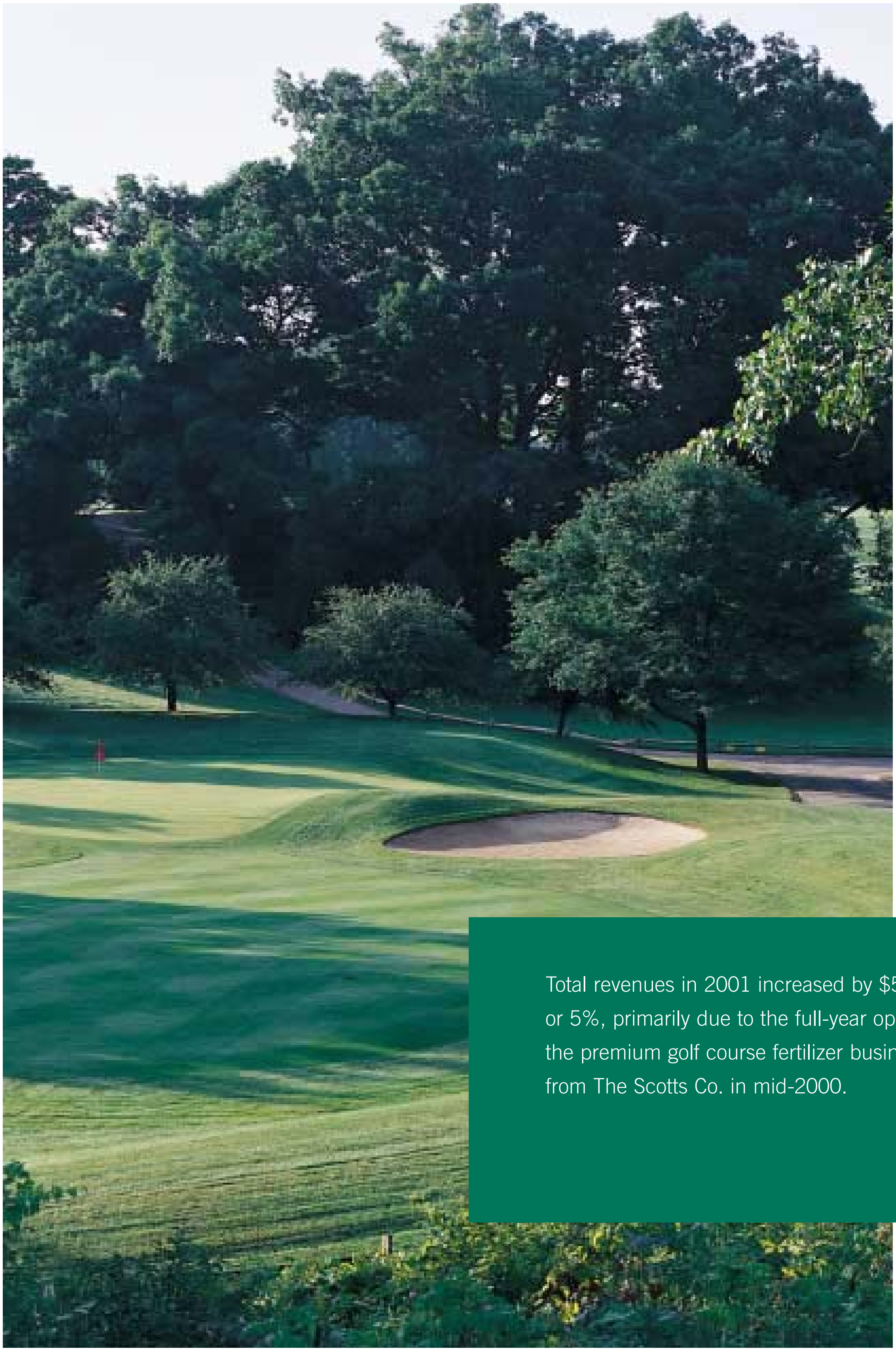
Because one of the key markets of the group's cob business is the lawn fertilizer industry, it experienced some softness in tons sold, total revenues and operating income in 2001. Performance of the group's pet business in 2001 was relatively unchanged from the previous year.

OPERATING INCOME (LOSS)



SALES & REVENUES





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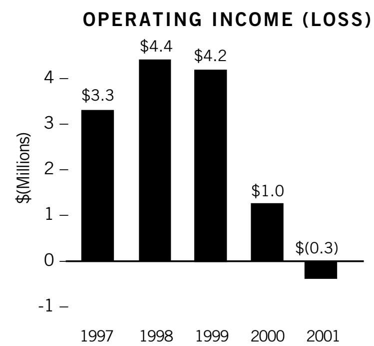
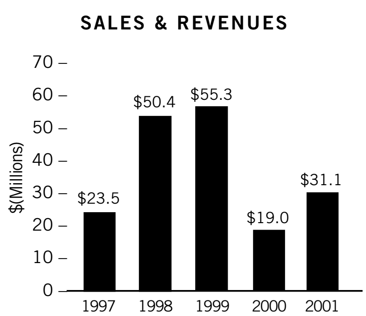
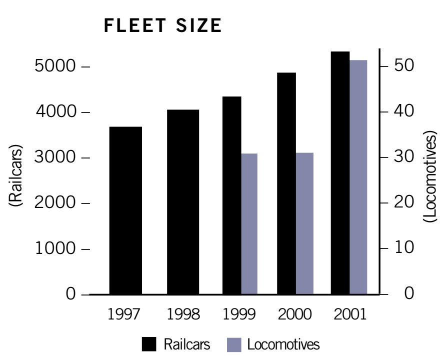
rail group







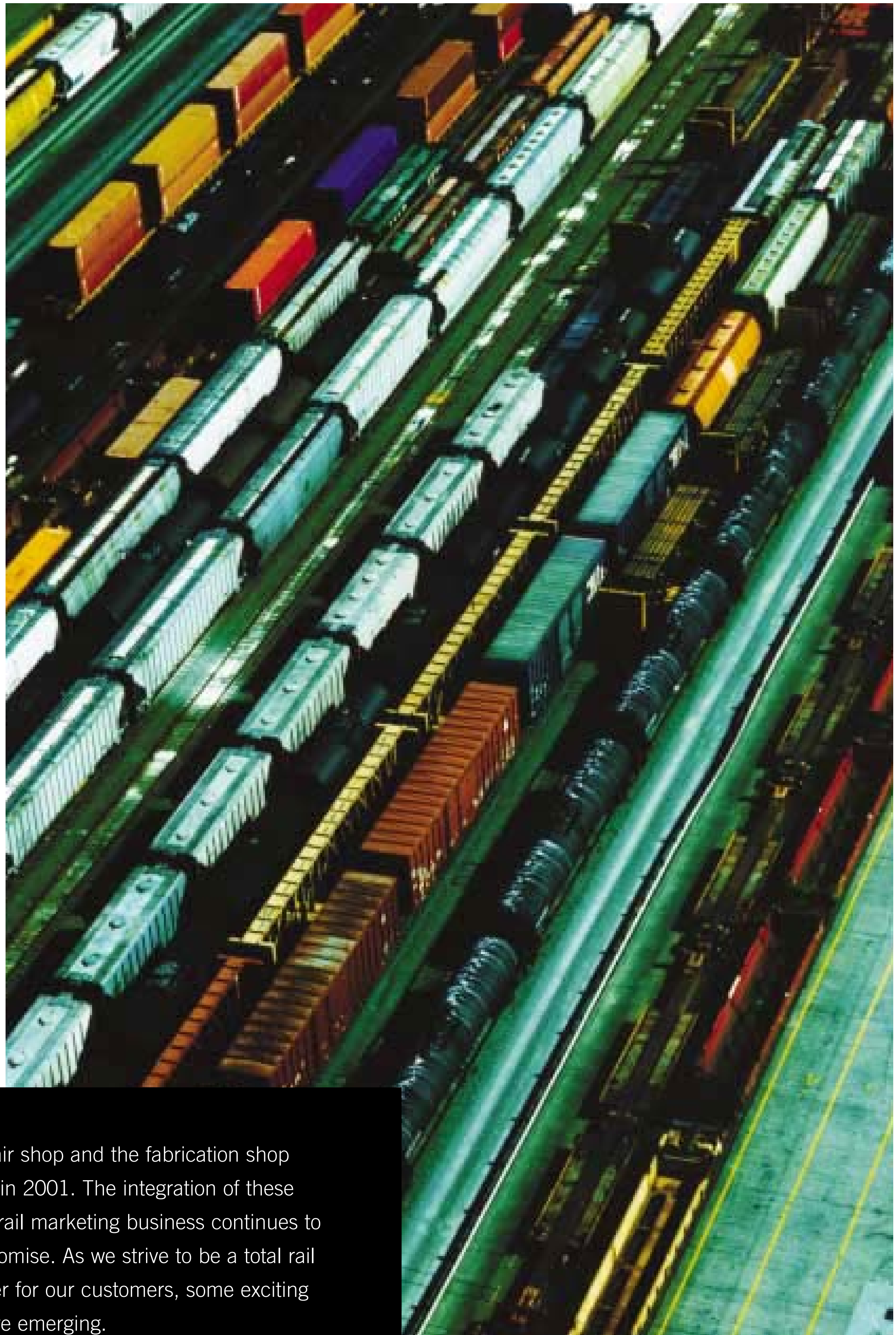
The Rail Group sells and leases railcars and locomotives. It also repairs and reconfigures various types of railcars to meet customer specifications, and it operates a custom steel fabrication business. The group's rail marketing business has grown significantly in the past decade and now controls a fleet of more than 5,400 railcars and 51 locomotives. The fleet consists of covered hopper cars, boxcars, open top hopper cars, gondolas, and tank cars. The group leases its rolling stock to shippers, railroads and fleet owners in a wide range of industries throughout North America.

The group's total revenues increased by $12 million, or about 64%, in 2001. Because of a writedown during the year of certain railcars that had been acquired prior to the market reaching a cyclical low point, the group incurred an operating loss of $0.3 million for the year. In 2000, the group reported an operating income of $1.0 million. Excluding the asset valuation adjustment, the group generated operating income in 2001 slightly above the year-earlier level.

While lease rates for some types of railcars were beginning to show signs of recovery from lows of the past two years, the events of September 11 reintroduced uncertainty into the markets. Thus lease rates continued to be soft, market values of some car types remained depressed, and the environment for new leases remained short-term for the most part. Although interest rates and fuel costs have declined, some lessors are still reluctant to enter into long-term lease commitments, favoring instead a more conservative position. In this environment, the railcar marketing business continued to pursue short-term leasing opportunities rather than making car sales or entering into long-term leasing deals. In the short-term, the Rail Group was not able to realize any significant gains from car sales, and leasing income per car declined. The number of cars in service increased, however, and the depressed railcar values enabled us to continue building our equipment portfolio. During the year the number of locomotives in the lease fleet more than doubled.
Our total investment in rail assets increased by 8.7% in 2001, and stood at $38 million at year-end, as shown on the Company's balance sheets.

The railcar repair shop and the fabrication shop performed well in 2001. The integration of these shops with the rail marketing business continues to demonstrate promise.
As we strive to be a total rail solution provider for our customers, some exciting opportunities are emerging, for example, in component manufacturing, whereby we design a component, manufacture it, install it on a car, then lease the refurbished car to our customer.

As the group continues to build the lease fleet, care is taken to diversify it in terms of lease duration, car types, industries, customers and geographic dispersion. We will continue to monitor credit quality of its customers diligently, and to match-fund assets and liabilities as much as possible to effectively manage risk.



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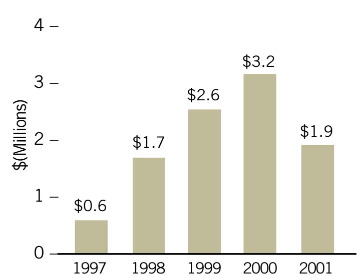
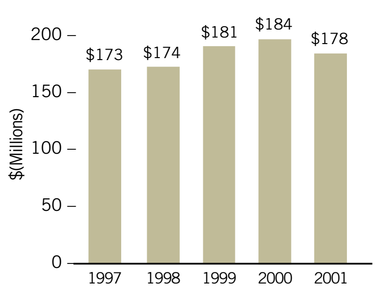
retail group

OPERATING INCOME



SALES & REVENUES

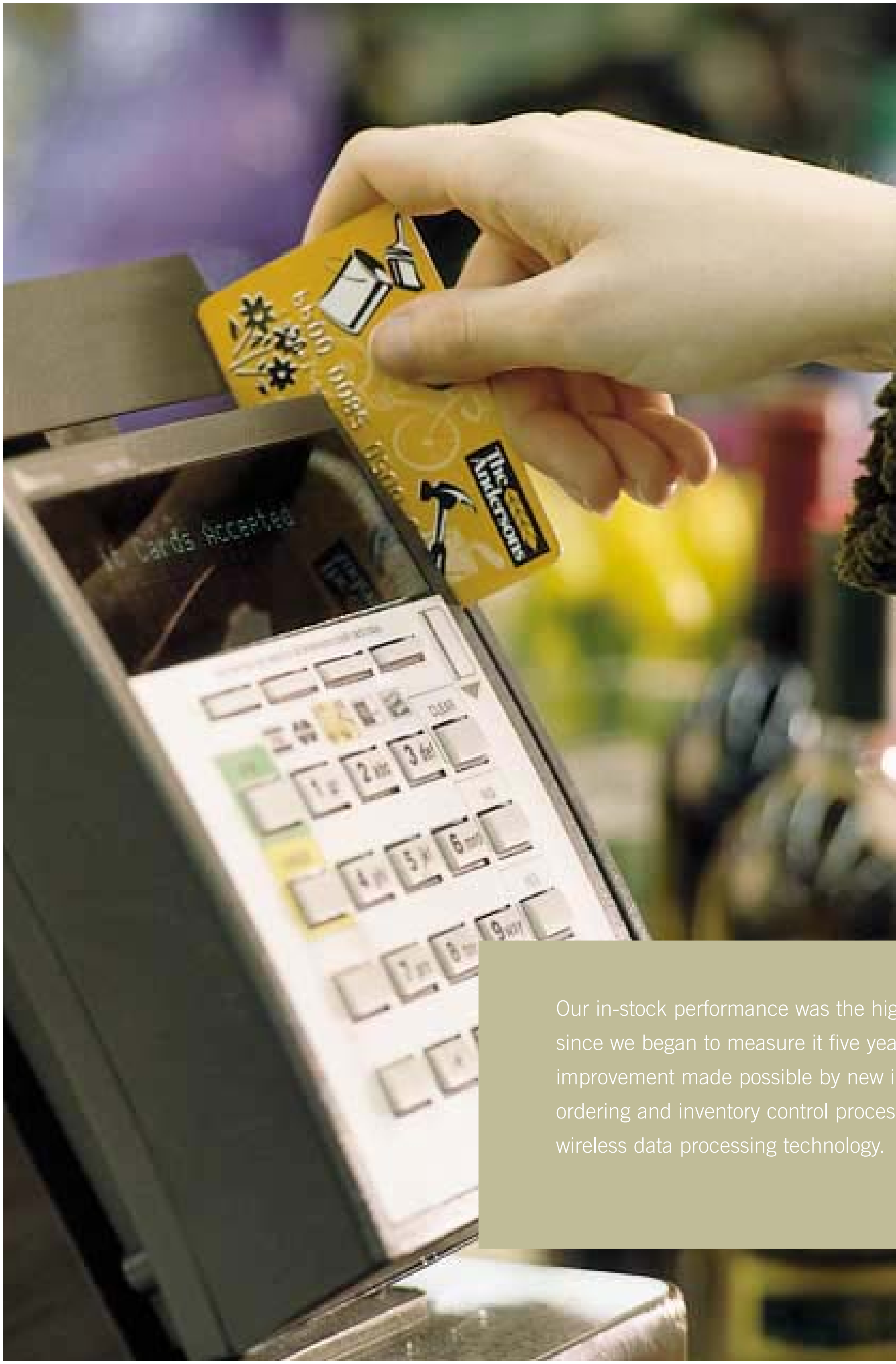


The Retail Group operates six large stores in Ohio. Three are located in the Toledo area, two in Columbus and one in Lima. Four are stand-alone facilities, having in-store selling space of 130,000 or more square feet each. The other two are slightly smaller mall-based units. Our central message to the retail customer is that our stores offer MORE FOR YOUR HOME.™ The product offering includes a broad array of traditional home center merchandise — plumbing, electrical and building supplies, hardware, flooring, paint and lighting products. In addition, our stores feature lawn and garden products, extensive lines of housewares and domestics, workwear, pet supplies, automotive supplies, sporting goods and the Uncommon Market™ — a unique offering of high quality foods including a deli with cheeses from around the world, produce, a bakery featuring hard-crusted European-style breads, specialty gourmet foods, frozen meats, and one of the largest selections of fine wines in the Midwest.

Total sales for the group were down 3.2% in 2001, and operating income of $1.9 million for the year was $1.3 million below its 2000 results. Approximately half of the year-to-year reduction in sales and operating income was due to the fifty-third week in 2000, an extra reporting period that occurs every few years. The sluggish economy this year also contributed to the decline, as did the virtual absence of demand for snow / cold weather merchandise in the months of January and December, a complete reversal from our 2000 experience. Average gross margins for the year were up slightly due to a shift in product mix to higher margin merchandise. Competitive wage pressures in our region continued to increase labor and benefit costs for the group. In total, expenses were well controlled.

There were several bright spots in this year's performance. Flooring sales were up 42%. Christmas trim increased by 8%. Wine sales were also up 8%, and the entire food business performed well, achieving 4% sales growth overall. A fresh meat department was added in our Maumee store during the year. Its sales have been strong, and it has raised the customer count trend for that store as well.

We also achieved several operational improvements in 2001. Total labor hours were reduced from year-earlier levels without a reduction in customer service levels. Our in-stock performance was the highest it's been since we began to measure it five years ago, an improvement made possible by new in-store ordering and inventory control processes using wireless data processing technology. Constant attention to product mix enhancements and operational efficiency are driven by our goal of providing noticeably extraordinary service to our customers.



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selected financial data

(in thousands, except for per common share data)	2001	2000	1999	1998	1997
Operating Results					
Total sales & revenues (a)	**$ 984,627**	$ 961,122	$ 1,005,922	$ 1,140,445	$ 1,039,816
Net income	**8,857 (b)**	10,078 (c)	8,379	9,752	4,074 (d)
Per common share data:					
Earnings — basic	**1.22**	1.34	1.05	1.21	0.50
Dividends paid	**0.26**	0.24	0.20	0.16	0.12
Balance Sheet Data					
Total assets	**$ 454,076**	$ 439,106	$ 376,776	$ 360,823	$ 368,244
Working capital	**75,005**	55,260	67,939	65,898	53,595
Long-term debt (e)	**91,316**	80,159	74,127	71,565	65,709
Shareholders' equity	**94,934**	89,836	84,805	82,734	72,201

(a) Includes reclassifications to prior years to decrease revenues for certain financing transactions in the Rail Group previously displayed on a gross basis.
(b) Non-recurring gain of $0.3 million for an insurance settlement is included ($0.2 million after tax).
(c) Non-recurring gains of $2.1 million for an insurance settlement and $1.0 million on the sale of a business are included ($2.0 million after tax).
(d) Non-recurring charge of $1.1 million for asset impairment is included ($0.7 million after tax).
(e) Excludes current portion.

Quarterly Financial Data and Market for Common Stock

(in thousands, except for per common share data)

Quarter Ended	(a) Net Sales	Gross Profit	Net Income (Loss) before Cumulative Effect		Net Income (Loss)		Common Stock Quote		Dividends Declared
			Amount	Per Share-Basic	Amount	Per Share-Basic	High	Low	
2001									
March 31	**$ 218,007**	**$ 35,115**	**$ (630)**	**$ (0.09)**	**$ (815)**	**$ (0.11)**	**$ 8.94**	**$ 8.03**	**$ 0.065**
June 30	**273,064**	**48,260**	**7,274**	**1.00**	**7,274**	**1.00**	**8.88**	**7.50**	**0.065**
September 30	**186,518**	**31,314**	**(1,905)**	**(0.26)**	**(1,905)**	**(0.26)**	**10.00**	**7.72**	**0.065**
December 31	**307,038**	**44,656**	**4,303**	**0.60**	**4,303**	**0.60**	**10.00**	**8.51**	**0.065**
Year	**$ 984,627**	**$ 159,345**	**$ 9,042**	**$ 1.24**	**$ 8,857**	**$ 1.22**			**$ 0.260**
2000									
March 31	$ 202,181	$ 35,054	$ 1,222	$ 0.16	$ 1,222	$ 0.16	$ 8.25	$ 6.94	$ 0.060
June 30	260,825	44,858	6,718	0.89	6,718	0.89	9.69	6.88	0.060
September 30	176,391	32,039	(2,235)	(0.30)	(2,235)	(0.30)	10.13	8.50	0.060
December 31	321,725	45,012	4,373	0.59	4,373	0.59	9.00	7.78	0.065
Year	$ 961,122	$ 156,963	$ 10,078	$ 1.34	$ 10,078	$ 1.34			$ 0.245

(a) Includes reclassifications of quarters to decrease revenues for certain financing transactions in the Rail Group previously displayed on a gross basis.

report of independent accountants

To the Board of Directors and Shareholders of The Andersons, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of shareholders' equity, as presented on pages 14 through 17 and pages 21 through 32, present fairly, in all material respects, the financial position of The Andersons, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The financial statements of the Company for the year ended December 31, 1999 were audited by other independent auditors whose report dated January 24, 2000 expressed an unqualified opinion on those statements.

PricewaterhouseCoopers LLP

Toledo, Ohio
January 28, 2002

consolidated statements of income

(in thousands, except for per common share data)	Year ended December 31 2001	2000	1999
Sales and merchandising revenues	**$ 984,627**	$ 961,122	$ 1,005,922
Cost of sales and merchandising revenues	**825,282**	804,159	855,959
Gross profit	**159,345**	156,963	149,963
Operating, administrative and general expenses	**139,685**	137,839	132,682
Interest expense	**11,570**	11,829	9,517
Other income / gains:			
Other income	**3,503**	3,989	4,195
Gain on insurance settlements	**338**	2,088	—
Gain on sale of business	**—**	992	—
Income before income taxes and cumulative effect of accounting change	**11,931**	14,364	11,959
Income tax provision	**2,889**	4,286	3,580
Income before cumulative effect of accounting change	**9,042**	10,078	8,379
Cumulative effect of change in accounting principle, net of income tax benefit	**(185)**	—	—
Net income	**$ 8,857**	$ 10,078	$ 8,379
Per common share:			
Basic earnings	**$ 1.22**	$ 1.34	$ 1.05
Diluted earnings	**$ 1.21**	$ 1.34	$ 1.03
Dividends paid	**$ 0.26**	$ 0.24	$ 0.20

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

consolidated balance sheets

(in thousands)	December 31 2001	2000
Assets		
Current assets:		
Cash and cash equivalents	**$ 5,697**	$ 13,138
Accounts and notes receivable:		
Trade receivables, less allowance for doubtful accounts of $2,701 in 2001; $3,084 in 2000	**51,080**	51,435
Margin deposits	**3,756**	5,706
	54,836	57,141
Inventories	**238,291**	211,863
Railcars available for sale	**11,932**	12,719
Deferred income taxes	**3,963**	3,444
Prepaid expenses and other current assets	**11,954**	10,429
Total current assets	**326,673**	308,734
Other assets:		
Other assets and notes receivable, less allowance for doubtful notes receivable of $472 in 2001; $698 in 2000	**5,344**	8,598
Investments in and advances to affiliates	**956**	1,422
	6,300	10,020
Railcar assets leased to others, net	**26,102**	22,281
Property, plant and equipment, net	**95,001**	98,071
	$ 454,076	$ 439,106
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable	**$ 82,600**	$ 71,300
Accounts payable for grain	**66,968**	67,468
Other accounts payable	**50,996**	64,619
Customer prepayments and deferred income	**22,683**	23,249
Accrued expenses	**18,047**	17,712
Current maturities of long-term debt	**10,374**	9,126
Total current liabilities	**251,668**	253,474
Deferred income	**2,209**	3,166
Pension and post-retirement benefits	**5,302**	3,684
Long-term debt, less current maturities	**91,316**	80,159
Deferred income taxes	**8,647**	8,787
Total liabilities	**359,142**	349,270
Shareholders' equity:		
Common shares, without par value		
Authorized — 25,000 shares		
Issued — 8,430 shares at stated value of $0.01 per share	**84**	84
Additional paid-in capital	**66,431**	66,488
Treasury shares, at cost (1,174 in 2001; 1,070 in 2000)	**(10,687)**	(9,852)
Accumulated other comprehensive income	**(964)**	—
Unearned compensation	**(83)**	(78)
Retained earnings	**40,153**	33,194
	94,934	89,836
	$ 454,076	$ 439,106

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

consolidated statements of cash flows

(in thousands)	Year ended December 31 2001	2000	1999
Operating activities			
Net income	**$ 8,857**	$ 10,078	$ 8,379
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	**14,264**	13,119	11,282
Provision for losses on accounts and notes receivable	**224**	911	1,180
Cumulative effect of accounting change, net of income tax benefit	**185**	—	—
Gain on insurance settlement	**(338)**	(2,088)	—
Gain on sale of business	**—**	(992)	—
Gain on sale of property, plant and equipment	**(336)**	(35)	(459)
Realized and unrealized (gains) losses on railcars	**1,172**	(110)	(1,573)
Deferred income taxes	**(539)**	2,242	854
Other	**368**	112	258
Cash provided by operations before changes in operating assets and liabilities	**23,857**	23,237	19,921
Changes in operating assets and liabilities:			
Accounts and notes receivable	**2,080**	(6,984)	7,549
Inventories	**(26,428)**	(35,811)	4,823
Prepaid expenses and other assets	**272**	(2,632)	1,913
Accounts payable for grain	**(500)**	(1,415)	(20,095)
Other accounts payable and accrued expenses	**(5,389)**	5,302	(2,432)
Net cash provided by (used in) operating activities	**(6,108)**	(18,303)	11,679
Investing activities			
Purchases of property, plant and equipment	**(9,155)**	(16,189)	(17,963)
Purchases of railcars	**(21,790)**	(16,245)	(40,209)
Purchase of U.S. ProTurf® and other business assets	**—**	(16,311)	—
Proceeds from sale of railcars	**15,376**	3,821	39,995
Proceeds from sale of property, plant and equipment	**951**	240	741
Proceeds from insurance settlements	**338**	2,346	—
Proceeds from sale of business	**—**	2,133	—
Net cash used in investing activities	**(14,280)**	(40,205)	(17,436)
Financing activities			
Net increase in short-term borrowings	**11,300**	26,300	37,300
Proceeds from issuance of long-term debt	**23,250**	194,723	102,082
Payments of long-term debt	**(10,845)**	(187,417)	(101,679)
Change in overdrafts	**(7,796)**	17,827	(3,292)
Proceeds from sale of treasury shares to employees	**332**	362	429
Dividends paid	**(1,907)**	(1,819)	(1,616)
Purchase of treasury shares	**(1,387)**	(3,944)	(5,106)
Net cash provided by financing activities	**12,947**	46,032	28,118
Increase (decrease) in cash and cash equivalents	**(7,441)**	(12,476)	22,361
Cash and cash equivalents at beginning of year	**13,138**	25,614	3,253
Cash and cash equivalents at end of year	**$ 5,697**	$ 13,138	$ 25,614
Noncash investing activities			
Acquisition of intangible assets in exchange for long-term debt		$ 3,879	

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

consolidated statements of shareholders' equity

(in thousands)	Common Shares (stated value $0.01 per share)	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Income	Unearned Compensation	Retained Earnings	Total
Balances at January 1, 1999	$ 84	$ 67,180	$ (2,665)	$ (29)	$ (83)	$ 18,247	$ 82,734
Net income						8,379	8,379
Other comprehensive loss							
Minimum pension liability, net of $76 income taxes				(115)			(115)
Comprehensive income							8,264
Stock awards, stock option exercises, and other shares issued to employees and directors		47	613		(231)		429
Amortization of unearned compensation					156		156
Purchase of treasury shares			(5,106)				(5,106)
Dividends declared ($0.21 per common share)						(1,672)	(1,672)
Balances at December 31, 1999	84	67,227	(7,158)	(144)	(158)	24,954	84,805
Net income						10,078	10,078
Other comprehensive income:							
Minimum pension liability, net of $(96) income taxes				144			144
Comprehensive income							10,222
Stock awards, stock option exercises, and other shares issued to employees and directors		(96)	607		(148)		363
Issuance of shares to complete acquisition		(643)	643				—
Amortization of unearned compensation					228		228
Purchase of treasury shares			(3,944)				(3,944)
Dividends declared ($0.245 per common share)						(1,838)	(1,838)
Balances at December 31, 2000	84	66,488	(9,852)	—	(78)	33,194	89,836
Net income						**8,857**	**8,857**
Other comprehensive income (loss):							
Cumulative effect of accounting change				**(1,172)**			**(1,172)**
Other				**208**			**208**
Comprehensive income							**7,893**
Stock awards, stock option exercises, and other shares issued to employees and directors		**(57)**	**552**		**(163)**		**332**
Amortization of unearned compensation					**158**		**158**
Purchase of treasury shares			**(1,387)**				**(1,387)**
Dividends declared ($0.26 per common share)						**(1,898)**	**(1,898)**
Balances at December 31, 2001	**$ 84**	**$ 66,431**	**$ (10,687)**	**$ (964)**	**$ (83)**	**$40,153**	**$ 94,934**

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

management's discussion & analysis

Operating Results

Operating results for The Andersons, Inc. business segments are discussed in the Business Review on pages 4 – 11 of this annual report. In addition, Note 13 to the consolidated financial statements displays revenues from external customers, inter-segment sales, other income, non-recurring gains, interest expense (income), operating income (loss), identifiable assets, railcar and capital expenditures and depreciation and amortization for each of the Company's business segments. The following discussion focuses on the operating results as shown in the consolidated statements of income.

Comparison of 2001 with 2000

Sales and merchandising revenues for 2001 totaled $984.6 million, an increase of $23.5 million, or 2%, from 2000. Sales in the Agriculture segment were up $11.6 million, or 2%. Grain sales were down $13.5 million, or 3%, due to flat volumes and a 3% decrease in the average price per bushel sold. Fertilizer sales were up $25.1 million, or 17%, due to a 2% increase in volume and a 14% increase in average price per ton sold. Merchandising revenues in the Agriculture segment were up $2.8 million, or 6%, due primarily to increases in drying and mixing income, space income (before interest charges) in the grain division and licensing revenue from the Crop Revenue Profiler ™ software. Space income includes storage fees earned on grain held for our customers and appreciation in the value of grain owned. Grain bushels on hand at December 31, 2001 were 65.4 million, slightly more inventory than at December 31, 2000.

The Processing segment had a sales increase of $5.4 million, or 5%. The majority of this increase was attributable to increased price per ton sold in the lawn fertilizer division and a full twelve months of sales in 2001 of the U.S. ProTurf® product line, which was acquired from The Scotts Company on May 31, 2000. Volume decreased for the period in the consumer and industrial lawn fertilizer businesses (sold into the retail distribution channel) due to softness in the economy coupled with cold weather in much of the spring application season. The much smaller corncob-based businesses experienced a 16% increase in the average price per ton sold, partially offset by an 11% reduction in volume.

The Rail segment had a sales increase of $12.1 million, or 64%. Railcar sales transactions completed during 2001 were up $11.5 million, and lease fleet revenue was up $1.0 million, or 8%. The lease fleet revenue growth was due to an increased number of railcars and locomotives managed and in service as compared to 2000. Railcars managed at December 31, 2001 numbered 5,432, an increase of approximately 13% over railcars managed at December 31, 2000. The segment also added 21 locomotives to its fleet.

The Retail segment experienced decreased sales of $5.9 million, or 3%, in 2001 when compared to 2000. More than half of this decrease relates to an extra (or 53rd) week in the 2000 fiscal year. In addition, weather during the months of January and December in 2001 was mild and demand for our cold weather items was very limited. This is in contrast to the same months in 2000 where weather drove significant sales of cold weather items.

The absence of revenues in the Other segment for 2001 was due to the sale of the Company's interest in The Andersons-Tireman Auto Centers (Tireman), an automotive repair business, in 2000. See the Comparison of 2000 with 1999 for more discussion about that sale.

Gross profit for 2001 totaled $159.3 million, an increase of $2.4 million, or 2%, from 2000. The Agriculture segment had a gross profit increase of $8.5 million, or 11%, resulting from a 28% increase in margin on grain bushels sold, a 14% increase in gross profit on fertilizer tons sold and the 6% increase in merchandising revenues discussed previously. For 2002, the Company expects continued strong performance from this segment. As always, this segment's results are highly dependent on weather conditions during the spring planting season through fall harvest in the eastern corn belt.

Gross profit for the Processing segment decreased $1.8 million, or 8%, from the prior year. This decrease resulted from a 6% decrease in gross profit per lawn fertilizer ton sold and a 6% decrease in lawn fertilizer volume. The decrease in gross profit per ton was primarily caused by high raw material costs coupled with a change in product mix in the 2001 spring season, as customers opted for lower margin products. Gross profit in the corncob-based businesses was up $0.3 million, or 12%. The lawn fertilizer business has been able to lock in better raw material pricing for the upcoming spring fertilizer season and expects gross profit improvement in 2002.

Gross profit in the Rail segment decreased $1.0 million, or 12%, from the prior year. While gross profit from car sales, railcar repairs, the fabrication shop and lease transactions was up, the segment took a $1.5 million charge to write down the book value of certain impaired railcars. The increased sales activity in the latter portion of the year and some indications of future long-term deals are positive indications that the industry is improving; however, the recovery has been slow. Customer preference and market rates are still more focused on short-term lease opportunities rather than long-term leases or outright sales.

Gross profit in the Retail segment decreased by $2.0 million, or 4%, from 2000. Half of this decrease was related to the extra week in 2000 mentioned previously. The remainder was due to the decrease in sales discussed above. New competition is expected in the Toledo market in 2002.

Gross profit in the Other segment declined by $1.5 million in 2001 over 2000 due to the Company's sale of its interest in Tireman in March 2000.

The Company recorded a nonrecurring gain in 2001 and two nonrecurring gains in 2000. The 2001 nonrecurring gain of $0.3 million was related to an insurance recovery for a damaged grain tank at the Albion, Michigan facility. A tank collapse at its Webberville, Michigan wholesale fertilizer facility resulted in a 2000 gain of $2.1 million from an insurance settlement for the replacement of the fixed assets. In addition, the Company recognized a gain of $1.0 million on the sale of its 52.5% interest in Tireman.

Operating, administrative and general expenses for 2001 totaled $139.7 million, a $1.8 million, or 1%, increase from 2000. The increase primarily reflects increased labor and benefits expenses including $1.3 million in severance expense. Full-time employees decreased 4% from the prior year, with reductions in all segments and at the corporate level. While the Company has certain initiatives in place to reduce expenses, it expects property and liability insurance and the cost of providing postretirement health benefits to increase in 2002.

Interest expense for 2001 was $11.6 million, a $0.3 million, or 2%, decrease from 2000. Average daily short-term borrowings increased 1% from 2000 while the average short-term interest rate decreased from 6.95% in 2000 to 5.10% in 2001. However, the Company has increased its long-term debt (including current maturities) 14% from December 31, 2000 to December 31, 2001 and has seen a similar increase in its long-term interest expense.

Income before income taxes of $11.9 million decreased $2.4 million, or 17%, from the 2000 pretax income of $14.4 million. Income tax expense was $2.9 million, a $1.4 million, or 33%, decrease from 2000. The effective tax rate decreased significantly from the 2000 rate of 29.8% to 24.2% in 2001. This significant decrease resulted primarily from an increased benefit from the Company's foreign sales corporation.

The Company recognized an after-tax charge of $0.2 million to record the cumulative effect of adopting the new financial accounting standard on derivatives. As a result of the above, net income for 2001 decreased $1.2 million, or 12%, from the $10.1 million in 2000 to $8.9 million in 2001. Basic earnings per share decreased $0.12 from 2000 and diluted earnings per share decreased $0.13 from 2000.

management's discussion & analysis (continued)

Comparison of 2000 with 1999
Sales and merchandising revenues for 2000 totaled $961.1 million, a decrease of $44.8 million, or 4%, from 1999. Sales in the Agriculture segment were down $32.1 million, or 5%. Grain sales were down $27.8 million, or 6%, due to a 7% volume decrease that was partially offset by a 2% increase in the average price per bushel sold. Fertilizer sales were down $4.2 million, or 3%, due to a 3% increase in volume offset by a 6% decrease in average price per ton sold. Merchandising revenues in the Agriculture segment were up $7.0 million, or 18%, due to basis appreciation of grain inventory and increased income from storing grain and fertilizer for others. Grain bushels on hand at December 31, 2000 were 65.3 million, a 4% decrease from December 31, 1999. The Company added 0.8 million bushels of covered grain storage space in 2000.

The Processing segment had a sales increase of $22.4 million, or 26%. All of this increase was attributable to increased volume and price per ton sold in the lawn fertilizer division. The increased sales in the lawn fertilizer business in 2000 reflect seven months of sales of the U.S. ProTurf® product line, which was acquired from The Scotts Company on May 31, 2000. The Company began producing and warehousing lawn fertilizer at an additional facility, located in Alabama, in the fourth quarter of 1999 and purchased its venture partner's interest in a Pennsylvania lawn fertilizer manufacturing facility in late 2000. The corncob-based businesses experienced a 6% reduction in volume, partially offset by a 4% increase in the average price per ton sold.

The Rail segment had a sales decrease of $36.4 million, or 66%. Total revenues in the railcar repair and fabrication shops were down $0.4 million. Railcar sales and financings completed during 2000 were down $36.2 million, or 91%, but lease fleet income was up slightly. Railcars controlled at December 31, 2000 numbered about 4,800, an increase of about 500 cars, or 12%, over that of December 31, 1999. A cyclical downturn in railcar lease values and rental rates, primarily in covered hopper cars, reduced the segment's long-term lease placements and outright sales during 2000.

The Retail segment experienced increased sales of $2.9 million, or 2%, in 2000 when compared to 1999.

On March 31, 2000, the Company completed the sale of its interest in Tireman, one of the businesses included in the Other segment in Note 13 to the consolidated financial statements. As a result, sales in the Other segment decreased by $8.7 million in 2000 as compared to 1999.

Gross profit for 2000 totaled $157.0 million, an increase of $7.0 million, or 5%, from 1999. The Agriculture segment had a gross profit increase of $7.7 million, or 11%, due primarily to the increase in merchandising revenues described previously.

Gross profit for the Processing segment increased $5.6 million, or 34%, from the prior year. This increase resulted from a 22% increase in gross profit per ton and a 14% increase in lawn fertilizer volume, again resulting primarily from the purchase of the U.S. ProTurf® product line. Gross profit in the corncob-based businesses was down 8%.

Gross profit in the Rail segment decreased $2.6 million, or 24%, from the prior year. This was due to lower railcar sales and a soft lease market for the segment's primary car type — the covered hopper — and was mostly offset by the increased fleet income.

Gross profit in the Retail segment improved by $1.4 million, or 3%, from 1999. This was due primarily to increased sales and a slight increase in gross margin percentage.

Gross profit in the Other segment declined by $5.1 million in 2000 over 1999 due to the Company's sale of its interest in Tireman in March 2000.

The Company recorded two nonrecurring gains in 2000. A tank collapse at its Webberville, Michigan wholesale fertilizer facility resulted in a gain of $2.1 million from an insurance settlement for the replacement of the fixed assets. In addition, the Company's sale of its 52.5% interest in Tireman resulted in a gain of $1.0 million.

Operating, administrative and general expenses for 2000 totaled $137.8 million, a $5.2 million, or 4%, increase from 1999. The increase primarily reflects increased labor and benefits expenses for added employees and start-up costs related to new production capacity in the Processing segment. Full-time employees increased 4% from the prior year, with the majority of the increase due to the acquisition discussed above and added capacity in the Processing segment.

Interest expense for 2000 was $11.8 million, a $2.3 million, or 24%, increase from 1999. Average daily short-term borrowings increased 11% from 1999 while the average short-term interest rate increased from 5.70% in 1999 to 6.95% in 2000.

Income before income taxes of $14.4 million increased $2.4 million, or 20%, from the 1999 pretax income of $12.0 million. Income tax expense was $4.3 million, a $0.7 million, or 20%, increase from 1999. The effective tax rate decreased slightly from the 1999 rate of 29.9% to 29.8% in 2000.

As a result of the above, net income for 2000 increased $1.7 million, or 20%, from the $8.4 million in 1999 to $10.1 million in 2000. Basic earnings per share increased $0.29 from 1999 and diluted earnings per share increased $0.31 from 1999.

Liquidity and Capital Resources
The Company's operations (before changes in operating assets and liabilities) provided cash of $23.9 million in 2001, an increase of $0.6 million from 2000. Net working capital at December 31, 2001 was $75.0 million, an increase of $19.7 million, or 36%, from December 31, 2000.

The Company has significant short-term lines of credit available to finance working capital, primarily inventories and accounts receivable. Available short-term lines of credit aggregated $155 million on December 31, 2001. The Company had drawn $82.6 million on its short-term lines of credit at that date. The Company's peak short-term borrowing occurred on November 26, 2001 and amounted to $130.4 million. Typically, the Company's highest borrowing occurs in the spring due to seasonal inventory requirements in the fertilizer and retail businesses, credit sales of fertilizer and a customary reduction in grain payables due to cash needs and market strategies of grain customers. The continued high grain inventories during the fall harvest of 2001 was the primary driver for this unusual timing for the Company's highest borrowing.

The Company utilizes interest rate contracts to manage a portion of its interest rate risk on both its short and long-term debt and lease commitments. At December 31, 2001, the fair value of these derivative financial instruments (primarily interest rate swaps and interest rate caps) was a credit of less than $0.1 million and was recorded in the balance sheet. The initial charge to record the fair value of open derivative instruments on January 1, 2001 was $0.3 million ($0.2 million after-tax) which is shown as a cumulative effect of adopting Statement of Financial Accounting Standards No. 133, as amended. Finally, the Company moved the unamortized values of its long-term closed interest rate caps and locks to other comprehensive income at the time of adoption.

Cash dividends of $1.9 million ($0.26 per common share) were paid in 2001. The Company made income tax payments of $2.7 million in 2001. The Company purchased 166 thousand of its common shares

management's discussion & analysis (continued)

on the open market at an average price of $8.38 per share. The Company issued approximately 62 thousand shares to employees, directors and former employees under stock compensation plans.

During 2001, the Company acquired property, plant and equipment aggregating $9.2 million. Included in these assets are $1.5 million for the replacement or addition of wholesale fertilizer and grain storage assets and $1.2 million for information systems investments. The remaining $6.5 million was spent on numerous assets and projects; no single project had a cost of more than $0.3 million. The Company also acquired railcar assets totaling $21.8 million.

Approximately $14.0 million is budgeted for capital spending in 2002, which includes $2.0 million in additional grain and wholesale fertilizer storage and improvements, $0.5 million in lawn fertilizer production equipment, $0.4 million in information systems investments and $0.7 million in retail store refurbishments. The remaining amount will be spent on numerous assets and projects; no single such project is expected to cost more than $0.3 million. In addition, the Company anticipates spending $8.3 million during 2002 to acquire railcars. The Company plans to fund these expenditures with cash generated from operations or additional debt.

The Company added long-term debt during 2001 in order to lock in lower long-term interest rates and add to working capital. Certain of the Company's long-term debt obligations are secured by first mortgages on various facilities or are collateralized by railcar assets. In addition, some of the long-term borrowings include provisions that impose minimum levels of working capital and equity, impose limitations on additional debt and require that grain inventory positions be substantially hedged. The Company was in compliance with all of these provisions at December 31, 2001 and 2000.

The Company's liquidity is enhanced by the fact that grain inventories are readily marketable and due to the lines of credit that it has available. In the opinion of management, the Company's liquidity is adequate to meet short-term and long-term needs.

Off-Balance Sheet Transactions

The Company's Rail segment utilizes leasing arrangements which provide off-balance sheet financing for its activities. The Company leases railcars from financial intermediaries under operating leases through sale-leaseback transactions, the majority of which involve operating leasebacks. Railcars owned by the Company, or leased by the Company from a financial intermediary are generally leased to a customer under an operating lease. The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary, and assigns the related operating lease to the financial intermediary on a non-recourse basis. In such arrangements, the Company generally provides ongoing railcar maintenance and management services for the financial intermediary, and receives a fee for such services.

The Company controlled 5,432 railcars and 51 locomotives at December 31, 2001. Railcars controlled include railcars owned by the Company, railcars leased from financial institutions and railcars and locomotives previously sold by the Company in non-recourse lease transactions, where the Company provides management services on behalf of a financial intermediary. On most of the railcars and locomotives, the Company holds an option to purchase these assets at the end of the lease. The segment's risk management philosophy includes match-funding of lease commitments and detailed review of lessee credit quality. In addition, the Company prefers non-recourse lease transactions, whenever possible, in order to minimize risk.

The December 31, 2001 railcar position included 1,168 railcars leased by the Company from financial intermediaries under various operating leases with an average remaining term in excess of 4 years. Future lease payment commitments for these cars aggregated $24.6 million and are included in note 10 to the Consolidated Financial Statements. The majority of these railcars have been leased to customers at December 31, 2001.

The December 31, 2001 railcar position also included 1,510 railcars and 51 locomotives for which the Company was providing maintenance and/or fleet management services under non-recourse lease transactions. The remaining 2,754 railcars are included on the Company's balance sheet as either railcars available for sale or railcar assets leased to others. Note 10 to the Consolidated Financial Statements includes all future contractual lease income for the 1,168 railcars leased by the Company under operating leases and the Railcar assets leased to others on the Company's balance sheet.

Critical Accounting Policies

The Company marks all grain inventory, forward purchase and sale contracts for grain and exchange-traded futures and options contracts to the market. Changes in market value are recorded as merchandising revenues in the statement of income. Because the Company marks inventories and sales commitments to the market, gross profit on a grain sale transaction is recognized when a contract for sale of the grain is executed. The related revenue is recognized upon shipment of the grain, at which time title transfers and customer acceptance occurs.

The Company has a marketing agreement that covers certain of its grain facilities. This five-year agreement includes a base-level income guarantee and equal sharing of income over that base level. There is also a look-back provision that places at risk any income in excess of the base level for the term of the agreement upon the occurrence of certain circumstances. The Company has recognized in income the base level guarantee amount for each year of the agreement and spreads its share of the amount in excess of the base level for completed contract years on a pro rata basis over all future periods covered by the agreement. At December 31, 2001, the Company had completed 43 months under the agreement and has deferred income (both current and long-term) in excess of $5.0 million. If the facilities' performance drops below the base-level income guarantee for the remaining 17 months of the contract, the Company is at risk for writing off a portion of this deferred income. If performance is at or greater than the base-level guarantee, the Company will recognize the income it already deferred over that period.

Market Risk-Sensitive Instruments and Positions

The market risk inherent in the Company's market risk-sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices and interest rates as discussed below.

Commodity Prices

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by population growth and higher standards of living, and global production of similar and competitive crops. To reduce price risk caused by market fluctuations, the Company follows a policy of hedging its inventories and related purchase and sale contracts. The instruments used are exchange-traded futures and options contracts that function as hedges. The market value of exchange-traded futures and options used for hedging has a high, but not perfect correlation, to the underlying market value of grain inventories and related purchase and sale contracts. The less correlated portion of inventory and purchase and sale contract market value (known as basis) is much less volatile than that of exchange-traded futures and tends to follow historical patterns. The Company manages this less volatile risk using its daily grain position report to constantly monitor its position relative to the price changes in the market. To a lesser degree, the Company uses exchange-traded option

management's discussion & analysis (continued)

contracts, also designated as hedges. The changes in market value of such contracts have a high correlation to price changes of the hedged commodity. The Company's accounting policy for these hedges, as well as the underlying inventory positions and purchase and sale contracts is to mark them to the market price daily and include gains and losses in the statement of income in sales and merchandising revenues.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its commodity position (exclusive of basis risk). The Company's daily net commodity position consists of inventories, related purchase and sale contracts and exchange-traded contracts. The fair value of the position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in such prices. The result of this analysis, which may differ from actual results, is as follows:

	December 31	
(in thousands)	**2001**	2000
Net long position	**$3,659**	$26
Market risk	**366**	3

Interest Rates
The fair value of the Company's long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. In addition, the Company has derivative interest rate contracts recorded in its balance sheet at their fair value.

The fair value of these contracts is estimated based on quoted market termination values. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

	December 31	
(in thousands)	**2001**	2000
Fair value of long-term debt and interest rate contracts	**$104,102**	$88,554
Fair value in excess of (less than) carrying value	**2,344**	(1,154)
Market risk	**2,253**	594

Forward Looking Statements
The preceding Letter to Shareholders, Business Review and Management's Discussion and Analysis contain various "forward-looking statements" which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including but not limited to those identified below, which could cause actual results to differ materially from historical results or those anticipated. The words "believe," "expect," "anticipate," "will" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The following factors could cause actual results to differ materially from historical results or those anticipated: weather; supply and demand of commodities including grains, fertilizer and other basic raw materials; market prices for grains and the potential for increased margin requirements; competition; economic conditions; risks associated with acquisitions; interest rates; and income taxes.

notes to consolidated financial statements

1. Basis of Financial Presentation / Acquisitions

These consolidated financial statements include the accounts of The Andersons, Inc. and its wholly-owned and majority-owned subsidiaries (the "Company"). All significant intercompany accounts and transactions are eliminated in consolidation.

On May 31, 2000, the Company acquired inventory and intangible assets of the U.S. ProTurf® division of The Scotts Company. The acquisition was accounted for as a purchase, and the results of operations have been included in the consolidated statements of income from June 1, 2000. This transaction was completed through a combination of cash paid and liabilities assumed with a total purchase price of approximately $19.8 million. Of this amount, $15.0 million was allocated to inventory and the remainder to goodwill and other intangible assets. Goodwill is being amortized on a straight-line basis over 12 years and the intangible assets over five years. The purchase agreement provides for additional payments to the seller through 2005 if the sales volume of the acquired business exceeds certain targets. These payments, if any, will be accounted for as additional purchase price. If the acquisition had taken place on January 1, 1999, pro forma revenues (unaudited) would have been $993.0 million and $1,078.3 million for the years ended December 31, 2000 and 1999, respectively. The business has been integrated into the Company's Processing segment and is expected to result in significantly different cost and expense structures. Therefore, pro forma operating income, net income and earnings per common share are not presented as they are not meaningful.

2. Summary of Significant Accounting Policies

Use of Estimates and Assumptions
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include cash and all highly liquid debt instruments purchased with an initial maturity of three months or less. The carrying value of these assets approximates their fair values.

Inventories and Inventory Commitments
Grain inventories include owned bushels of grain, the value of forward contracts to buy and sell grain and exchange traded futures and option contracts used to hedge the value of both owned grain and forward contracts. Each of these grain inventory components is marked to the market price. The forward contracts require performance in future periods. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of contracts for the purchase and sale of grain are consistent with industry standards.

notes to consolidated financial statements (continued)

All other inventories are stated at the lower of cost or market. Cost is determined by the average cost method.

Derivatives — Commodity and Interest Rate Contracts
For the purpose of hedging its market price risk exposure on grain owned and related forward grain purchase and sale contracts, the Company holds regulated commodity futures and options contracts for corn, soybeans, wheat and oats. The Company accounts for all commodity contracts using a daily mark-to-market method, the same method it uses to value grain inventory and forward purchase and sale contracts. Company policy limits the Company's unhedged grain position. While the Company considers all of its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices or due to sale, maturity or extinguishment of the commodity contract), grain inventories and related forward grain contracts are included in sales and merchandising revenues in the statements of income.

The Company also periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. The Company accounts for its long-term interest rate swap contract as a cash flow hedge; accordingly, changes in the fair value of the swap are recognized in other comprehensive income. While the Company considers all of its derivative positions to be effective economic hedges of specified risks, the Company does not designate or account for other open interest rate contracts as hedges. Changes in the market value of all other interest rate contracts are recognized currently in income. Upon termination of a derivative instrument or a change in the hedged item, any remaining fair value recorded on the balance sheet is immediately recorded as a component of interest expense.

The Company recorded in the statement of income a transition adjustment of $305 thousand ($185 thousand after tax) as a result of adopting Financial Accounting Standards Board (FASB) Statement No. 133, as amended, "Accounting for Derivative Instruments and Hedging Activities", on January 1, 2001. This adjustment was made to write down open interest rate contracts to their fair value. The Company also reclassified deferred net losses of $1.2 million to other comprehensive income. This amount represented deferred net losses on the settlement of Treasury rate locks entered into for the purpose of hedging the interest rate component of firm commitment lease transactions. The deferred losses will be recognized as a component of gross profit over the term of the underlying leases.

Prior to the adoption of Statement No. 133, the Company recognized income or expense associated with interest rate swap contracts on the accrual basis over the term of the agreement as a component of interest expense. The cost of short-term interest rate caps was expensed at the date of purchase and long-term interest rate caps expensed over their term. Gains or losses on settlement of Treasury rate locks hedging the interest component of firm commitment lease transactions were recognized over the term of the ensuing lease transaction. The balance of deferred losses on settled Treasury rate locks included in other assets and notes receivable totaled $1.6 million and $1.4 million at December 31, 2000 and 1999, respectively. The fair value of interest rate contracts was not recognized in the balance sheet prior to 2001.

Railcars Available for Sale
The Company's Rail segment purchases, leases, markets and manages railcars for third parties and for internal use. Railcars to which the Company holds title are shown on the balance sheet in one of two categories — railcars available for sale or railcar assets leased to others. Railcars that have been acquired but have not been placed in service are classified as current assets and are stated at the lower of cost or market. Railcars leased to others, both on short- and long-term leases, are classified as long-term assets and are depreciated over their estimated useful lives. Railcars leased to others under sales-type and direct financing leases are not material.

Property, Plant and Equipment
Property, plant and equipment are carried at cost. Repairs and maintenance are charged to expense as incurred, while betterments that extend useful lives are capitalized. Depreciation is provided over the estimated economic useful lives of the individual assets, principally by the straight-line method. Estimated useful lives are generally as follows: land improvements and leasehold improvements — 10 to 16 years; buildings and storage facilities — 20 to 30 years; machinery and equipment — 3 to 20 years; and software — 3 to 10 years. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts, with any gain or loss realized upon sale or disposal credited or charged to operations.

Intangible Assets
Intangible assets, primarily purchased intangible assets and goodwill resulting from business acquisitions, are amortized over the estimated period of benefit (ranging from 5 to 12 years) by the straight-line method. Intangible assets of $4.1 million and $5.1 million at December 31, 2001 and 2000, respectively, are included in other assets and notes receivable in the balance sheet. Accumulated amortization at December 31, 2001 and 2000 was $1.8 million and $0.8 million, respectively.

Impairment of Long-lived Assets
Long-lived assets and intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the assets to the future net cash flows the Company expects to generate with the asset. If such assets are considered to be impaired, the Company recognizes impairment expense for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Accounts Payable for Grain
Accounts payable for grain includes the liability for grain purchases on which price has not been established (delayed price). This amount has been computed on the basis of market prices at the end of the year, adjusted for the applicable premium or discount.

Deferred Income
Certain of the Company's agriculture facilities are subject to a long-term (five-year) marketing agreement with a third party that provides for a base-level income guarantee and equal sharing of income earned over the base level. The marketing agreement includes a look-back provision that places at risk any income in excess of the base level for the term of the agreement. The Company recognizes the base-level income guarantee as revenue on a pro rata basis over the remaining life of the agreement. The Company measures its share of the cumulative income over the base-level income guarantee at the end of each contract year and recognizes such income on a pro rata basis over the remaining life of the agreement.

Stock-Based Compensation
The Company has adopted the disclosure-only provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation." Statement No. 123 encourages, but does not require, companies to adopt a fair value method for determining expense related to stock-based compensation. The Company continues to account for stock-based compensation using the intrinsic value method as prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations.

notes to consolidated financial statements (continued)

Revenue Recognition
Sales of products are recognized at the time of shipment. Gross profit on grain sales is recognized when sales are contracted. Revenues from other merchandising activities are recognized as open grain contracts are marked-to-the-market or as services are provided. Sales returns and allowances are provided for at the time sales are recorded. Shipping and handling costs are included in the cost of goods sold.

Sales of railcars, including railcars sold in non-recourse lease transactions, are recorded as revenue on the date of sale. Sales for these transactions totaled $15.3 million, $3.8 million and $40.0 million in 2001, 2000 and 1999, respectively.

Lease Accounting
The Company accounts for its leases under FASB Statement 13, as amended, and related pronouncements.

The Company's Rail segment leases and manages railcars for third parties, and leases railcars for internal use. The Company is an operating lessor of railcars that are owned by the Company, or leased by the Company from financial intermediaries. The Company records lease income for its activities as an operating lessor as earned, which is generally spread evenly over the lease term. The Company expenses operating lease payments made to financial intermediaries on a straight-line basis over the lease term.

The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to financial intermediaries and assigns the related operating lease on a non-recourse basis. The Company generally provides ongoing railcar maintenance and management services for the financial intermediaries, and receives a fee for such services. On the date of sale, the Company recognizes the proceeds from sales of railcars in non-recourse lease transactions as revenue. Management and service fees are recognized as revenue when earned; generally evenly over the lease term.

Income Taxes
Income tax expense for each period includes taxes currently payable plus the change in deferred income tax assets and liabilities. Deferred income taxes are provided for temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the tax rates and laws expected to be in effect when the differences are expected to reverse. The Company evaluates the realizability of deferred tax assets and provides a valuation allowance for amounts that management does not believe are more likely than not to be recoverable.

Advertising
Advertising costs are expensed as incurred. Advertising expense of $2.8 million in each of 2001 and 2000 and $2.9 million in 1999 is included in operating, administrative and general expenses.

Earnings per Share
Basic earnings per share is equal to net income divided by weighted average shares outstanding. Diluted earnings per share is equal to basic earnings per share plus the incremental per share effect of dilutive options and restricted shares.

	Year ended December 31		
(in thousands)	**2001**	2000	1999
Income before cumulative effect of accounting change	**$ 9,042**	$ 10,078	$ 8,397
Cumulative effect of change in accounting principle, net of income tax benefit	**(185)**	—	—
Net income	**$ 8,857**	$ 10,078	$ 8,397
Basic earnings per share:			
Income before cumulative effect of accounting change	**$ 1.24**	$ 1.34	$ 1.05
Cumulative effect of change in accounting principle, net of income tax benefit	**(0.02)**	—	—
Net income	**$ 1.22**	$ 1.34	$ 1.05
Diluted earnings per share:			
Income before cumulative effect of accounting change	**$ 1.24**	$ 1.34	$ 1.03
Cumulative effect of change in accounting principle, net of income tax benefit	**(0.03)**	—	—
Net income	**$ 1.21**	$ 1.34	$ 1.03
Weighted average shares outstanding — basic	**7,281**	7,507	7,996
Restricted shares and shares contingently issuable upon exercise of options	**35**	18	102
Weighted average shares outstanding — diluted	**7,316**	7,525	8,098

Diluted earnings per common share excludes the impact of 260 thousand, 634 thousand and 178 thousand employee stock options for 2001, 2000 and 1999, respectively, as such options were antidilutive.

New Accounting Standards
The FASB has issued Statement No. 142, "Goodwill and Other Intangible Assets," which is effective for the Company's 2002 fiscal year. This statement eliminates the amortization of goodwill, among other things, and replaces it with an annual goodwill impairment test. The Company has analyzed the requirements of the statement and expects a reduction in amortization expense of less than $0.2 million for 2002. The Company also believes that the $1.3 million of goodwill it has recorded in other assets and notes receivable is not currently impaired.

The FASB also issued the following statements in 2001. These statements each require prospective application.

- Statement No. 141, "Business Combinations," amends or supersedes existing rules used in accounting for business combinations. The Company does not expect to be impacted by this statement until it makes a future acquisition.
- Statement No. 143, "Accounting for Asset Retirement Obligations," requires the recognition of asset retirement obligations at their net present value. It is effective for the Company's fiscal year beginning January 1, 2003. The Company has not determined the impact, if any, of this statement.
- Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," supersedes Statement No. 121, provides guidance for the application of impairment tests and removes goodwill from the Statement No. 121 impairment calculation. Goodwill impairment is now covered by Statement No. 142. Statement 144 is effective for the Company's fiscal year beginning January 1, 2002. The Company does not believe the impact of adopting this statement will be material.

notes to consolidated financial statements (continued)

Reclassifications

Certain amounts in the 2000 and 1999 financial statements have been reclassified to conform to the 2001 presentation. These reclassifications had no effect on net income or shareholders' equity as previously presented.

3. Inventories

Major classes of inventories are as follows:

(in thousands)	December 31 2001	2000
Grain	**$ 140,316**	$ 111,887
Agricultural fertilizer and supplies	**24,240**	28,479
Lawn and garden fertilizer and corncob products	**43,440**	39,810
Railcar repair parts	**1,401**	1,273
Retail merchandise	**28,539**	29,866
Other	**355**	548
	$ 238,291	$ 211,863

4. Property, Plant and Equipment and Railcar Assets Leased to Others

The components of property, plant and equipment and railcar assets leased to others are as follows:

(in thousands)	December 31 2001	2000
Land	**$ 11,758**	$ 11,899
Land improvements and leasehold improvements	**27,937**	27,702
Buildings and storage facilities	**94,309**	93,620
Machinery and equipment	**119,460**	118,724
Software	**3,714**	3,850
Construction in progress	**4,144**	1,878
	261,322	257,673
Less accumulated depreciation and amortization	**166,321**	159,602
	$ 95,001	$ 98,071
Railcar assets leased to others	**$ 30,585**	$ 25,085
Less accumulated depreciation	**4,483**	2,804
	$ 26,102	$ 22,281

On December 31, 2001, the Company entered into a sale leaseback transaction with a financial institution; the Company accounts for its leaseback as a capital lease. These assets have a book value of $4.5 million at December 31, 2001 and are included with other railcars above. Amortization of railcars under capital lease will be included in depreciation expense. At December 31, 2001, there was no accumulated amortization for these assets.

5. Nonrecurring Gains

During 2000, a grain tank and related assets at the Company's Albion, Michigan facility were destroyed in a windstorm. This facility was insured for replacement value and the Company received insurance funds to replace the assets lost. The 2001 gain of $0.3 million represents the insurance proceeds received in 2001 in excess of the net book value of the destroyed assets.

During 1999, a liquid fertilizer tank and adjoining assets at the Company's Webberville, Michigan facility were destroyed when the tank collapsed. This facility was insured for replacement value and the Company received funds to replace the assets. During 2000, the Company completed the settlement of its insurance claim for the accident. The resultant gain of $2.1 million represents the insurance proceeds in excess of the net book value of the destroyed assets.

In March 2000, the Company sold its interest in The Andersons — Tireman Auto Centers, a joint venture in which it owned a 52.5% interest. The gain of $1.0 million represents proceeds received in excess of the Company's equity investment. This business was previously consolidated in the Company's financial statements and reported in the Other segment in the Company's segment data.

notes to consolidated financial statements (continued)

6. Banking and Credit Arrangements

The Company has available lines of credit for unsecured short-term debt with banks aggregating $155.0 million. Borrowings under these facilities totaled $82.6 million at December 31, 2001 ($71.3 million at December 31, 2000). After considering its standby letters of credit totalling $9.0 million, the Company had available borrowing capacity under the facilities of $63.4 million at December 31, 2001. The credit arrangements, the amounts of which are adjusted from time to time to meet the Company's needs, do not have termination dates but are reviewed at least annually for renewal. Borrowings under the lines of credit bear interest at variable interest rates, which are generally based on LIBOR, plus a spread. The terms of certain of the lines of credit provide for annual commitment fees. The following information relates to borrowings under short-term lines of credit:

	December 31		
(dollars in thousands)	**2001**	2000	1999
Maximum amount borrowed	**$130,400**	$113,800	$110,500
Average daily amount borrowed	**91,014**	89,798	81,042
Weighted average interest rate	**5.10%**	6.95%	5.70%

7. Long-Term Debt and Interest Rate Contracts

Long-term debt consists of the following:

	December 31	
(in thousands, except percentages)	**2001**	2000
Note payable under revolving line of credit	**$15,000**	$15,000
Note payable, 7.98%, payable $317 quarterly; remainder due 2008	**17,415**	18,683
Note payable, 7.00%, payable $316 quarterly beginning in 2004, due 2016	**10,681**	—
Note payable, variable rate (1.91% at December 31, 2001), payable $315 first and second quarters and $150 third and fourth quarters of 2002, with decreasing quarterly payments thereafter, due 2005	**7,750**	9,940
Notes payable, variable rate (2.94% at December 31, 2001), payable $336 quarterly; remainder due 2002	**1,657**	5,046
Industrial development revenue bonds:		
Variable rate (1.70% at December 31, 2001), due 2019	**4,650**	4,650
Variable rate (3.24% at December 31, 2001), payable $882 annually through 2004	**1,944**	2,826
Variable rate (1.80% at December 31, 2001), due 2025	**3,100**	3,100
Liabilities related to acquisition, discounted at 8.25%, due in variable quarterly installments through 2005	**3,188**	3,508
Debenture bonds, 6.30% to 8.75%, due 2002 through 2011	**31,250**	25,863
Obligations under capital lease	**4,473**	—
Other notes payable and bonds	**582**	669
	101,690	89,285
Less current maturities	**10,374**	9,126
	$91,316	$80,159

The Company has an unsecured $15.0 million revolving line of credit with a bank that bears interest based on LIBOR (effective rate of 3.54% at December 31, 2001). The revolving line of credit expires on January 1, 2003.

The notes payable due 2002, 2008 and 2016 and the industrial development revenue bonds are collateralized by first mortgages on certain facilities and related equipment with a book value of $32.0 million. The note payable due 2005 is collateralized by railcars with a book value of $8.0 million.

The various underlying loan agreements, including the Company's revolving line of credit, include certain provisions that require the Company to, among other things:

- maintain minimum working capital of $32.0 million and net equity (as defined) of $43.0 million;
- limit the addition of new long-term debt;
- limit its unhedged grain position to 2.0 million bushels; and
- restrict the amount of dividends paid.

The Company was in compliance with these covenants at December 31, 2001 and 2000.

The aggregate annual maturities of long-term debt, including sinking fund requirements and capital lease obligations, are as follows: 2002 — $10.4 million; 2003 — $24.9 million; 2004 — $6.4 million; 2005 — $10.8 million; 2006 — $12.8 million; and $36.4 million thereafter.

Interest paid (including interest on short-term lines of credit) amounted to $10.1 million, $11.5 million and $9.0 million in 2001, 2000 and 1999, respectively.

notes to consolidated financial statements (continued)

The Company has entered into interest rate contracts to manage interest rate risk on short-term borrowings. The contracts convert variable interest rates to short-term fixed rates, consistent with projected borrowing needs. At December 31, 2001, the Company has two short-term interest rate cap agreements with a total notional amount of $30.0 million to hedge short-term borrowing costs. These agreements provide interest rate caps of between 2.41% and 4.75% and expire between April and July 2002. Also, open at December 31, 2001 was an interest rate collar with a notional amount of $10 million that expires in July 2002. This collar provides a floor of 3.98% and a cap of 5.00%. Although these instruments are intended to hedge interest rate risk on short-term borrowings, the Company has elected not to account for them as such. Changes in their fair value are included in interest expense in the statements of income.

The Company entered into a long-term interest rate cap in December 1999 with an initial notional amount of $19.4 million to cap the interest rate component of an operating lease at 6.50%. The cap expires in November 2003. The Company also entered into a long-term interest rate cap in June 2000 with an initial notional amount of $12.5 million to cap the interest rate component of a new long-term note payable at 7.66%. The cap expires in June 2005. The notional amounts on these caps amortize monthly to approximate the reduction in the underlying long-term obligations. The Company has also entered into a long-term interest rate swap in October 2001 to convert the floating interest rate component of an operating lease to a fixed rate of 3.27%. The notional amount of this swap equals the underlying lease obligation and amortizes in the same manner. Changes in the fair value of the caps are included in interest expense in the statements of income. The swap is treated as a cash flow hedge with changes in its fair value included as a component of other comprehensive income.

The fair value of all derivative instruments is included in other assets and notes receivable. The amount for 2001 was not significant. The mark-to-market effect of long-term and short-term interest rate contracts on interest expense was $0.2 million additional expense for 2001.

8. Income Taxes

Income tax expense (credit) consists of the following:

	Year ended December 31		
(in thousands)	**2001**	2000	1999
Current:			
Federal	**$ 3,311**	$ 2,219	$ 2,766
State and local	**117**	(175)	(40)
	3,428	2,044	2,726
Deferred:			
Federal	**(496)**	1,935	718
State and local	**(43)**	307	136
	(539)	2,242	854
Total:			
Federal	**2,815**	4,154	3,484
State and local	**74**	132	96
	$ 2,889	$ 4,286	$ 3,580

In addition, the Company recognized a deferred income tax benefit of $120 thousand upon adoption of Statement 133. This amount is included in the statement of income as an element of the cumulative effect of accounting change.

A reconciliation from the statutory U.S. federal tax rate to the effective tax rate follows:

	Year ended December 31		
	2001	2000	1999
Statutory U.S. federal tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in rate resulting from:			
Effect of commissions paid to foreign sales corporation	**(11.3)**	(5.8)	(5.3)
State and local income taxes, net of related federal taxes	**0.4**	0.6	0.5
Other, net	**0.1**	—	(0.3)
Effective tax rate	**24.2%**	29.8%	29.9%

Income taxes paid in 2001, 2000 and 1999 were $4.3 million, $3.3 million, and $4.3 million, respectively.

notes to consolidated financial statements (continued)

Significant components of the Company's deferred tax liabilities and assets are as follows:

	December 31	
(in thousands)	**2001**	2000
Deferred tax liabilities:		
Property, plant and equipment and railcar assets leased to others	**$ (12,898)**	$ (12,136)
Prepaid employee benefits	**(2,949)**	(2,727)
Other	**(202)**	(679)
	(16,049)	(15,542)
Deferred tax assets:		
Employee benefits	**5,384**	4,726
Deferred income	**1,450**	1,446
Accounts and notes receivable	**1,289**	1,296
Inventory	**2,456**	1,629
Investments	**353**	552
Other	**433**	550
	11,365	10,199
Net deferred tax liability	**$ (4,684)**	$ (5,343)

9. Stock Compensation Plans

The Company's Amended and Restated Long-Term Performance Compensation Plan (the LT Plan) authorizes the Board of Directors to grant options and share awards to employees and outside directors for up to 1.4 million of the Company's common shares. Options granted under the LT Plan have a maximum term of 10 years. Options granted to outside directors have a fixed term of five years and vest after one year. Options granted to management personnel under the LT Plan have a five-year term and vest 40% immediately, an additional 30% after one year and the remaining 30% after two years. Options granted under the LT Plan are structured as fixed grants with exercise price equal to the market value of the underlying stock on the date of the grant; accordingly, no compensation expense is recognized for these grants.

The LT Plan also permits awards of restricted stock. The Company issued 21 thousand, 20 thousand and 21 thousand restricted shares during 2001, 2000 and 1999, respectively, of which 28 thousand remain outstanding at December 31, 2001. These shares carry voting and dividend rights; however, sale of the shares is restricted prior to vesting. Restricted shares vest 50% after one year and the remaining 50% after two years. Shares issued under the LT Plan are recorded at their fair value on the grant date with a corresponding charge to shareholders' equity representing the unearned portion of the award. The unearned portion is amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense related to this plan amounted to $158 thousand, $228 thousand and $156 thousand during 2001, 2000 and 1999, respectively.

Certain Company executives and outside directors have elected to receive a portion of their cash compensation in stock options and/or restricted stock issued under the LT Plan. These options and restricted stock vest immediately. The options have a ten-year term. There were 6 thousand, 4 thousand and 4 thousand restricted shares issued in lieu of cash compensation in 2001, 2000 and 1999, respectively.

The Company's Employee Share Purchase Plan (the ESP Plan) allows employees to purchase common shares through payroll withholdings. The Company has reserved 300 thousand common shares for issuance to and purchase by employees under this plan. The ESP Plan also contains an option component. The purchase price per share is the lower of the market price at the beginning or end of the year. Employees purchased 33 thousand, 33 thousand and 39 thousand shares under the ESP Plan in 2001, 2000 and 1999, respectively. The Company records a liability for withholdings not yet applied towards the purchase of common stock. No compensation expense is recognized for stock purchases or options under the ESP Plan.

Pro forma information regarding net income and earnings per share required by Statement No. 123, "Accounting for Stock-Based Compensation," is determined as if the Company accounted for its employee stock options granted under the fair value method. The fair value of each option grant is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions by year.

notes to consolidated financial statements (continued)

	2001	2000	1999
Long Term Performance Compensation Plan			
Risk free interest rate	**4.99%**	6.36%	4.58%
Dividend yield	**3.01%**	2.91%	1.73%
Volatility factor of the expected market price of the Company's common shares	**.267**	.276	.313
Expected life for the options (in years)	**5.00**	5.00	5.00
Employee Share Purchase Plan			
Risk free interest rate	**5.32%**	5.98%	4.58%
Dividend yield	**3.01%**	2.91%	1.73%
Volatility factor of the expected market price of the Company's common shares	**.267**	.276	.313
Expected life for the options (in years)	**1.00**	1.00	1.00

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

(in thousands, except for per common share information)	**2001**	2000	1999
Net income as reported	**$8,857**	$10,078	$8,379
Pro forma net income	**$8,539**	$9,715	$7,936
Pro forma earnings per common share:			
Basic	**$1.17**	$1.29	$0.99
Diluted	**$1.17**	$1.29	$0.98

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	Long-Term Performance Compensation Plan					
(common shares in thousands)	**2001**		2000		1999	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	**862**	**$ 9.24**	671	$ 9.60	499	$ 8.89
Granted	**224**	**8.63**	229	8.25	183	11.56
Exercised	**(93)**	**8.83**	—	—	(6)	9.00
Expired / forfeited	**(78)**	**8.68**	(38)	9.59	(5)	11.30
Outstanding at end of year	**915**	**$ 9.18**	862	$ 9.24	671	$ 9.60
Weighted average fair value of options granted during the year		**$ 2.00**		$ 2.18		$ 3.44
Options exercisable at end of year		**732**		687		519
Weighted average exercise price of options exercisable at end of year		**$ 9.35**		$ 9.27		$ 9.23
Options available for grant at December 31, 2001		**301**				
Price range of options at December 31, 2001		**$8.25 to $12.38**				
Weighted average remaining contractual life		**2.88**				

notes to consolidated financial statements (continued)

10. Leases and Related Commitments

Railcar leasing activities:

The Company is a lessor of railcars. The majority of railcars are leased to customers under operating leases that may be either net leases or full service leases, under which the Company provides maintenance and fleet management services. The Company also provides services to financial intermediaries to which it has sold railcars and locomotives in non-recourse lease transactions. Fleet management services generally include maintenance, escrow, tax filings and car tracking services.

Many of the Company's leases provide for renewals. The Company also generally holds purchase options for railcars it has sold and leased-back from a financial intermediary, and railcars sold in non-recourse lease transactions.

Lease income from operating leases to customers and rental expense for railcar leases were as follows:

	Year Ended December 31		
(in thousands)	**2001**	2000	1999
Rental and service income — operating leases	**$ 9,896**	$ 9,497	$ 9,811
Rental expense	**$ 4,387**	$ 4,778	$ 5,405

Future minimum rentals and service income for all noncancelable railcar operating leases greater than one year are as follows:

(in thousands)	Future rental and service income — operating leases	Future minimum rental expense
Year ended December 31		
2002	$ 10,150	$ 5,838
2003	8,126	5,431
2004	6,336	3,838
2005	4,988	2,387
2006	3,564	1,417
Future years	12,653	5,656
	$ 45,817	$ 24,567

Other leasing activities:

The Company, as lessee, leases real property, vehicles and other equipment under operating leases. Certain of these agreements contain lease renewal and purchase options. Net rental expenses under these agreements was $6.4 million, $6.1 million and $5.6 million in 2001, 2000 and 1999, respectively. Future minimum lease payments under these agreements are as follows: 2002 — $4.6 million; 2003 — $3.4 million; 2004 — $2.4 million; 2005 — $2.1 million; 2006 — $0.8 million; and $0.6 million thereafter.

11. Pension and Other Postretirement Benefits

The Company provides retirement benefits for substantially all of its employees under several defined benefit and defined contribution plans. The Company's expense for its defined contribution plans amounted to $1.4 million, $1.4 million and $1.3 million in 2001, 2000 and 1999, respectively. The Company also provides certain health insurance benefits to employees including retirees.

notes to consolidated financial statements (continued)

Following are the details of the liability and funding status of the pension and postretirement benefit plans:

	Pension Benefits		Post-retirement Benefits	
(in thousands)	**2001**	2000	**2001**	2000
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 25,151**	$ 21,376	**$11,372**	$ 9,390
Service cost	**1,884**	2,062	**610**	434
Interest cost	**1,560**	1,625	**1,224**	766
Actuarial (gains) / losses	**(121)**	1,232	**6,493**	1,232
Plan amendment	**—**	—	**—**	185
Participant contributions	**—**	—	**73**	44
Benefits paid	**(1,515)**	(1,144)	**(822)**	(679)
Benefit obligation at end of year	**26,959**	25,151	**18,950**	11,372
Change in plan assets				
Fair value of plan assets at beginning of year	**26,117**	26,364	**—**	—
Actual return on plan assets	**(1,671)**	(850)	**—**	—
Company contributions	**1,549**	1,747	**749**	635
Participant contributions	**—**	—	**73**	44
Benefits paid	**(1,515)**	(1,144)	**(822)**	(679)
Fair value of plan assets at end of year	**24,480**	26,117	**—**	—
Funded (underfunded) status of plans at end of year	**(2,479)**	966	**(18,950)**	(11,372)
Unrecognized net actuarial loss	**5,369**	1,478	**9,825**	3,735
Unrecognized prior service cost	**115**	142	**—**	—
Unrecognized net transition obligation	**—**	—	**1,217**	1,328
Prepaid (accrued) benefit cost	**$ 3,005**	$ 2,586	**$ (7,908)**	$ (6,309)

Amounts recognized in the consolidated balance sheets at December 31 consist of:

	Pension Benefits		Post-retirement Benefits	
(in thousands)	**2001**	2000	**2001**	2000
Accrued expenses	**$ (1,243)**	$ (1,273)	**$ —**	$ —
Pension and post-retirement asset (liability)	**4,248**	3,859	**(7,908)**	(6,309)
Net amount recognized	**$ 3,005**	$ 2,586	**$ (7,908)**	$ (6,309)

In 2000, as part of its purchase of the U.S. ProTurf® assets, the Company assumed certain postretirement benefit obligations with regard to a group of employees that were hired. This additional obligation of $185 thousand is shown above as a plan amendment in 2000. Included in pension and postretirement benefits are $1.6 million and $1.2 million at December 31, 2001 and 2000, respectively, of deferred compensation for certain employees who, due to Internal Revenue Service guidelines, may not take full advantage of the Company's primary defined contribution plan. Assets funding this plan are recorded at fair value in prepaid expenses and other current assets.

Amounts applicable to a Company defined benefit plan with accumulated benefit obligations in excess of plan assets are as follows:

(in thousands)	**2001**	2000
Projected benefit obligation	**$ 933**	$ 1,026
Accumulated benefit obligation and additional liability	**$ 137**	$ 192
Minimum liability reduction	**$ —**	$ (407)
Intangible asset adjustment	**—**	167
	—	(240)
Tax benefit	**—**	96
Other comprehensive income	**$ —**	$ (144)

notes to consolidated financial statements (continued)

Following are components of the net periodic benefit cost for each year:

	Pension Benefits			Post-retirement Benefits		
(in thousands)	**2001**	2000	1999	**2001**	2000	1999
Service cost	**$ 1,884**	$ 2,062	$ 1,996	**$ 610**	$ 434	$ 343
Interest cost	**1,560**	1,625	1,359	**1,224**	766	604
Expected return on plan assets	**(2,366)**	(2,353)	(1,956)	**—**	—	—
Amortization of prior service cost	**26**	26	26	**—**	—	—
Recognized net actuarial loss	**25**	73	32	**420**	157	112
Amortization of net transition obligation	**—**	—	—	**111**	111	111
Benefit cost	**$ 1,129**	$ 1,433	$ 1,457	**$ 2,365**	$ 1,468	$ 1,170

Weighted average assumptions	Pension Benefits		Post-retirement Benefits	
as of December 31	**2001**	2000	**2001**	2000
Discount rate	**7.25%**	7.5%	**7.25%**	7.5%
Expected return on plan assets	**9.0%**	9.0%	**—**	—
Rate of compensation increases	**4.0%**	4.0%	**—**	—
Health care cost trend rate	**—**	—	**8.0%**	5.5%

The health care cost trend rate of 8.0% is assumed to decline 0.5% per year to 5.0% and remain at that level thereafter.

The assumed health care cost trend rate has a significant effect on the amounts reported for postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	One-Percentage-Point	
(in thousands)	**Increase**	**Decrease**
Effect on total of service and interest cost components in 2001	$ 373	$ (291)
Effect on post-retirement benefit obligation as of December 31, 2001	$ 3,272	$ (2,616)

To partially fund self-insured health care and other employee benefits, the Company makes payments to a trust. Assets of the trust amounted to $4.5 million and $3.0 million at December 31, 2001 and 2000, respectively, and are included in prepaid expenses and other current assets.

12. Fair Values of Financial Instruments

The fair values of the Company's cash equivalents, margin deposits, short-term borrowings and certain long-term borrowings approximate their carrying values since the instruments are close to maturity and/or carry variable interest rates based on market indices. The Company accounts for investments in affiliates on the equity method. The estimated fair value of these investments could not be obtained without incurring excessive costs as they have no quoted market price.

Certain long-term notes payable and the Company's debenture bonds bear fixed rates of interest and terms of up to fifteen years. Based upon current interest rates offered by the Company on similar bonds and rates currently available to the Company for long-term borrowings with similar terms and remaining maturities, the Company estimates the fair values of its long-term debt instruments outstanding at December 2001 and 2000 as follows:

2001

(in thousands)	**Carrying Amount**	**Fair Value**
Long-term notes payable	**$ 31,284**	**$ 32,695**
Debenture bonds	**31,250**	**32,189**
	$ 62,534	**$ 64,884**

2000

(in thousands)	Carrying Amount	Fair Value
Long-term notes payable	$ 22,191	$ 22,424
Debenture bonds	25,863	24,773
	$ 48,054	$ 47,197

13. Business Segments

The Company's operations include four reportable business segments that are distinguished primarily on the basis of products and services offered. The Agriculture segment includes grain merchandising, the operation of terminal grain elevator facilities and the manufacture and distribution of agricultural inputs, primarily fertilizer, to dealers and farmers. The Processing segment includes the production and distribution of lawn care and corncob-based products. The Rail segment includes the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Retail segment includes the operation of six large retail stores, a distribution center and a lawn and garden equipment sales and service shop.

Included in the Other segment are the operations of several smaller businesses and corporate level amounts not attributable to an operating segment. These smaller businesses included the operations of ten auto service centers (a joint venture that was sold in March 2000) and the marketing of the Company's excess real estate.

notes to consolidated financial statements (continued)

The segment information below (in thousands) includes the allocation of expenses shared by one or more segments. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. Inter-segment sales are made at prices comparable to normal, unaffiliated customer sales. Operating income (loss) for each segment is based on net sales and merchandising revenues plus identifiable other income less all identifiable operating expenses, including interest expense for carrying working capital and long-term assets. Capital expenditures include additions to property, plant and equipment, software and intangible assets.

2001	**Agriculture**	**Processing**	**Rail**	**Retail**	**Other**	**Total**
Revenues from external customers	**$ 662,790**	**$ 112,827**	**$ 31,061**	**$ 177,949**	**$ —**	**$ 984,627**
Inter-segment sales	**5,645**	**1,212**	**930**	**—**	**—**	**7,787**
Other income	**1,196**	**300**	**248**	**618**	**1,141**	**3,503**
Gain on insurance settlement	**338**	**—**	**—**	**—**	**—**	**338**
Interest expense (income) **(a)**	**6,179**	**3,428**	**1,846**	**1,900**	**(1,783)**	**11,570**
Operating income (loss)	**19,765**	**(7,654)**	**(349)**	**1,868**	**(1,699)**	**11,931**
Identifiable assets	**244,289**	**84,709**	**45,037**	**57,289**	**22,752**	**454,076**
Capital expenditures	**5,845**	**1,549**	**166**	**907**	**688**	**9,155**
Railcar expenditures	**—**	**—**	**21,790**	**—**	**—**	**21,790**
Depreciation and amortization	**6,399**	**2,341**	**2,432**	**2,426**	**666**	**14,264**

2000	**Agriculture**	**Processing**	**Rail**	**Retail**	**Other**	**Total**
Revenues from external customers	$ 648,410	$ 107,434	$ 18,972	$ 183,817	$ 2,489	$ 961,122
Inter-segment sales	5,896	1,280	1,029	—	—	8,205
Other income	1,204	358	233	611	1,583	3,989
Gain on sale of business	—	—	—	—	992	992
Gain on insurance settlement	2,088	—	—	—	—	2,088
Interest expense (income) **(a)**	6,186	3,424	1,748	1,706	(1,235)	11,829
Operating income (loss)	14,301	(3,470)	1,003	3,246	(716)	14,364
Identifiable assets	215,927	87,092	41,548	60,178	28,451	433,196
Capital expenditures **(b)**	9,648	9,276	72	1,484	488	20,968
Railcar expenditures	—	—	16,245	—	—	16,245
Depreciation and amortization	6,223	2,032	1,417	2,755	692	13,119

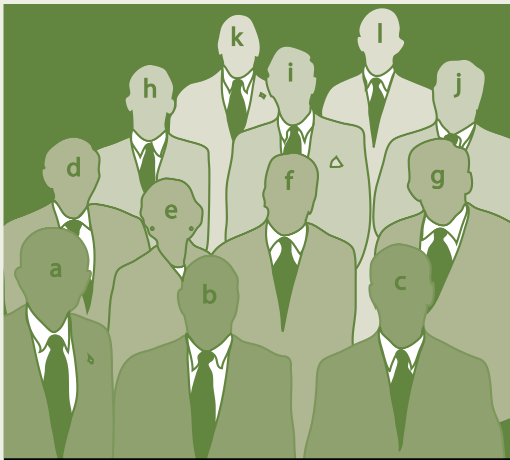
1999	**Agriculture**	**Processing**	**Rail**	**Retail**	**Other**	**Total**
Revenues from external customers	$ 673,523	$ 84,990	$ 55,325	$ 180,887	$ 11,197	$ 1,005,922
Inter-segment sales	3,867	1,373	969	—	—	6,209
Other income	761	471	161	435	2,367	4,195
Interest expense (income) **(a)**	6,036	1,720	1,132	1,712	(1,083)	9,517
Operating income (loss)	6,054	(95)	4,225	2,645	(870)	11,959
Identifiable assets	183,370	58,416	31,653	61,311	42,026	376,776
Capital expenditures	8,181	6,589	266	2,140	1,008	18,184
Railcar expenditures	—	—	40,209	—	—	40,209
Depreciation and amortization	5,787	1,285	764	2,433	1,013	11,282

(a) The interest income reported in the Other segment includes net interest income at the corporate level. These amounts result from a rate differential between the interest rate on which interest is allocated to the operating segments and the actual rate at which borrowings are made.

(b) Capital expenditures in 2000 include assets purchased in exchange for common stock and long-term liabilities.

Grain sales for export to foreign markets amounted to approximately $191 million, $172 million and $146 million in 2001, 2000 and 1999, respectively. In 1999, sales of rail equipment totaling $18 million were made to a foreign customer.

Grain sales of $122 million, $153 million and $162 million in 2001, 2000, and 1999, respectively, were made to an unaffiliated customer.



Board of Directors

(a) Richard P. Anderson
(b) Donald L. Mennel
(c) Michael J. Anderson
(d) Thomas H. Anderson
(e) Jacqueline F. Woods
(f) Dr. Sidney Ribeau
(g) Donald E. Anderson
(h) Richard M. Anderson
(i) Paul M. Kraus
(j) John F. Barrett
(k) Charles A. Sullivan
(l) David L. Nichols

Corporate Officers

Dennis J. Addis
President,
Wholesale Fertilizer Division

Daniel T. Anderson
President,
Retail Group

Michael J. Anderson
President &
Chief Executive Officer

Richard M. Anderson
President,
Processing Group

Richard P. Anderson
Chairman

Dale W. Fallat
Vice President,
Corporate Services

Philip C. Fox
Vice President,
Corporate Planning

Charles E. Gallagher
Vice President
Human Resources

Richard R. George
Vice President &
Controller

Beverly J. McBride
Vice President,
General Counsel &
Corporate Secretary

Harold M. Reed
President,
Grain Division

Rasesh H. Shah
President,
Rail Group

Gary L. Smith
Vice President,
Finance & Treasurer

Board of Directors

Donald E. Anderson(3)
Director of Science, Retired
The Andersons, Inc.

Michael J. Anderson(3)
President &
Chief Executive Officer
The Andersons, Inc.

Richard M. Anderson(3)
President,
Processing Group
The Andersons, Inc.

Richard P. Anderson(3)
Chairman
The Andersons, Inc.

Thomas H. Anderson(3)
Chairman Emeritus
The Andersons, Inc.

John F. Barrett(2)(3)
President &
Chief Executive Officer
The Western & Southern
Life Insurance Co.

Paul M. Kraus(3)
Attorney
Marshall & Melhorn, LLC

Donald L. Mennel(1)(3)
President & Treasurer
The Mennel Milling Company

David L. Nichols(1)(3)
President &
Chief Operating Officer,
Rich's/Lazarus/
Goldsmith's Division of
Federated Department
Stores, Inc.

Dr. Sidney Ribeau(2)(3)
President
Bowling Green State University

Charles A. Sullivan(1)(3)
Chairman &
Chief Executive Officer
Interstate Bakeries Corp

Jacqueline F. Woods(2)(3)
Retired President
Ameritech Ohio

(1) Audit Committee

(2) Compensation Committee

(3) Nominating Committee

Independent Accountants
PricewaterhouseCoopers LLP,
Toledo, OH

Nasdaq Symbol
The Andersons, Inc. common shares are traded on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol ANDE

Shareholders
As of March 1, 2001, there were 7,317,446 shares of common stock outstanding: 864 shareholders of record and approximately 1,600 shareholders for whom security firms acted as nominees.

Investor Information

Corporate Offices
The Andersons, Inc
480 West Dussel Drive
Maumee, OH 43537
419-893-5050
www.andersonsinc.com

Transfer Agent & Registrar
Computershare Investor
Services, LLC
2 North LaSalle Street
Chicago, IL 60602
312-588-4991

Form 10-K
The Andersons' 2001 Form 10-K, filed in mid-March 2002 with the SEC, is available to stockholders and interested individuals without charge by writing or calling Investor Relations.

Investor Relations
Gary L. Smith
Vice President,
Finance & Treasurer
419-891-6417
gary_smith@andersonsinc.com

Annual Meeting
The annual shareholders' meeting of The Andersons, Inc. will be held at The Andersons' Conference Center, 535 Illinois Ave, Maumee, OH at 10:30 a.m. on April 25, 2002.

our mission

WE FIRMLY BELIEVE THAT OUR COMPANY IS A POWERFUL VEHICLE THROUGH WHICH WE CHANNEL OUR TIME, TALENT, AND ENERGY IN PURSUIT OF THE FUNDAMENTAL GOAL OF SERVING GOD BY SERVING OTHERS.

THROUGH OUR COLLECTIVE ACTION WE GREATLY MAGNIFY THE IMPACT OF OUR INDIVIDUAL EFFORTS TO:

- PROVIDE EXTRAORDINARY SERVICE TO OUR CUSTOMERS
- HELP EACH OTHER IMPROVE
- SUPPORT OUR COMMUNITIES
- INCREASE THE VALUE OF OUR COMPANY

The Andersons, Inc. • 480 West Dussel Drive • Maumee, Ohio 43537

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

[X]	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2001

or

[ ]	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to _________________

Commission file number 000-20557

THE ANDERSONS, INC.
(Exact name of registrant as specified in its charter)

OHIO (State or other jurisdiction of incorporation or organization)	34-1562374 (I.R.S. Employer Identification No.)
480 W. Dussel Drive, Maumee, Ohio (Address of principal executive offices)	43537 (Zip Code)

Registrant’s telephone number, including area code (419) 893-5050

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the registrant’s voting stock which may be voted by persons other than affiliates of the registrant was $58,883,040 on February 28, 2002, computed by reference to the last sales price for such stock on that date as reported on the Nasdaq National Market.

The registrant had 7,317,446 Common shares outstanding, no par value, at February 28, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2001 Annual Report of The Andersons, Inc. and Proxy Statement for the Annual Meeting of Shareholders to be held on April 25, 2002, are incorporated by reference into Parts II (Items 5, 6, 7 and 8), III (Items 10, 11 and 12) and IV of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Commission on or about March 18, 2002.

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PART I

Item 1. Business

(a) General development of business

The Andersons, Inc. is a diversified company with four operating groups. The Agriculture Group purchases and merchandises grain, operates grain elevator facilities located in Ohio, Michigan, Indiana and Illinois, manufactures and sells agricultural fertilizer, and distributes agricultural inputs (fertilizer, chemicals, seed and supplies) to dealers and farmers. The Processing Group manufactures lawn fertilizer products for the lawn and garden, professional golf and landscaping industries and corncob-based products for use in various industries. The Rail Group purchases, sells, repairs, manages and leases railcars and locomotives. The Retail Group operates six retail stores, a lawn and garden sales and service shop and a distribution center in Ohio.

(b) Financial information about industry segments

See Note 13 to the consolidated financial statements for information regarding business segments.

(c) Narrative description of business

Agriculture Group

The Agriculture Group operates grain elevators, wholesale fertilizer terminals, and farm centers.

The Company's grain operations involve merchandising grain and operating terminal grain elevator facilities. This includes purchasing, handling, processing and conditioning grain, storing grain purchased by the Company as well as grain owned by others, and selling grain. The principal grains sold by the Company are yellow corn, yellow soybeans and soft red and white wheat. The Company's total grain storage capacity was approximately 81.1 million bushels at December 31, 2001.

Grain merchandised by the Company is grown in the Midwestern portion of the United States (the Eastern Corn Belt) and is acquired from country elevators, dealers and producers. The Company makes grain purchases at prices referenced to Chicago Board of Trade ("CBOT") quotations. The Company competes for the purchase of grain with grain processors and feeders, as well as with other grain merchandisers.

In 1998, the Company signed a five-year lease agreement with Cargill, Inc. for Cargill's Maumee and Toledo, Ohio grain handling and storage facilities. As part of the agreement, Cargill was given the marketing rights to grain in the Cargill-owned facilities as well as the adjacent Company-owned facilities in Maumee and Toledo. These agreements cover 43%, or approximately 35.0 million bushels, of the Company's total storage space and became effective

on June 1, 1998. See also the Critical Accounting Policies section of the Management's Discussion and Analysis of The Andersons, Inc. 2001 Annual Report to Shareholders for further discussion of this agreement.

During 2001, approximately 54% of the grain bushels sold by the Company was purchased domestically by grain processors and feeders, and approximately 46% was exported. Exporters purchased most of the exported grain for shipment to foreign markets, while some grain is shipped directly to foreign countries, mainly Canada. Almost all grain shipments are by rail or boat. Rail shipments are made primarily to grain processors and feeders, with some rail shipments made to exporters on the Gulf or East Coast. Boat shipments are from the Port of Toledo. Grain sales are effected on a negotiated basis by the Company's merchandising staff, except for grain sales subject to the marketing agreement with Cargill which are effected on a negotiated basis with Cargill's merchandising staff.

The Company's grain business may be adversely affected by the grain supply (both crop quality and quantity) in its principal growing area, government regulations and policies, conditions in the shipping and rail industries and commodity price levels. See "Government Regulation". The grain business is seasonal coinciding with the harvest of the principal grains purchased and sold by the Company.

Fixed price purchase and sale commitments for grain and grain held in inventory expose the Company to risks related to adverse changes in price. The Company attempts to manage these risks by hedging fixed price purchase and sale contracts and inventory through the use of futures and option contracts with the CBOT. The CBOT is a regulated commodity futures exchange that maintains futures markets for the grains merchandised by the Company. Futures prices are determined by worldwide supply and demand.

The Company's hedging program is designed to reduce the risk of changing commodity prices. In that regard, hedging transactions also limit potential gains from further changes in market prices. The grain division's profitability is primarily derived from margins on grain sold, and revenues generated from other merchandising activities with its customers (including storage income), not from hedging transactions. The Company has a policy that specifies the key controls over its hedging program. This policy includes a description of the hedging programs, mandatory review of positions by key management outside of the trading function on a biweekly basis, daily position limits, modeling of positions for changes in market conditions, and other internal controls.

Purchases of grain can be made the day the grain is delivered to a terminal or via a forward contract made prior to actual delivery. Sales of grain generally are made by contract for delivery in a future period. When the Company purchases grain at a fixed price, the purchase is hedged with the sale of a futures contract on the CBOT. Similarly, when the Company sells grain at a fixed price, the sale is hedged with the purchase of a futures contract on the CBOT. At the close of business each day, the open inventory ownership positions as well as open futures and option positions are marked-to-market. Gains/losses in the value of the Company's inventory positions due to changing market prices are netted with and generally offset by losses/gains in the value of the Company's futures positions.

When a futures contract is entered into, an initial margin deposit must be sent to the CBOT. The amount of the margin deposit is set by the CBOT and varies by commodity. If the market price of a futures contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required by the CBOT. Subsequent price changes could require additional maintenance margins or result in the return of maintenance margins by the CBOT. Significant increases in market prices, such as those that occur when weather conditions are unfavorable for extended periods, can have an effect on the Company's liquidity and, as a result, require it to maintain appropriate short-term lines of credit. The Company may utilize CBOT option contracts to limit its exposure to potential required margin deposits in the event of a rapidly rising market.

The Company's grain operations rely on forward purchase contracts with producers, dealers and country elevators to ensure an adequate supply of grain to the Company's facilities throughout the year. Bushels contracted for future delivery at February 28, 2002 approximated 43.1 million, the majority of which is scheduled to be delivered to the Company for the 2001 and 2002 crop years (i.e., through August 2003). The Company relies heavily on its hedging program as the method for minimizing price risk in its grain inventories and contracts. The Company monitors current market conditions and may expand or reduce the purchasing program in response to changes in those conditions. In addition, the Company reviews its purchase contracts and the parties to those contracts on a regular basis for credit worthiness, defaults and non-delivery. The Company's loan agreements also require it to be substantially hedged in its grain transactions.

The Company competes in the sale of grain with other grain merchants, other elevator operators and farmer cooperatives that operate elevator facilities. Competition is based primarily on price, service and reliability. Some of the Company's competitors are also its customers and many of its competitors have substantially greater financial resources than the Company.

The Company's wholesale fertilizer operations involve purchasing, storing, formulating, and selling dry and liquid fertilizers; providing fertilizer warehousing and services to manufacturers and customers; and the wholesale distribution of seeds and various farm supplies. The major fertilizer ingredients sold by the Company are nitrogen, phosphate and potash, all of which are readily available.

The Company's wholesale fertilizer market area primarily includes Illinois, Indiana, Michigan and Ohio and customers for the Company's fertilizer products are principally retail dealers. Sales of agricultural fertilizer products are heaviest in the spring and fall.

Storage capacity at the Company's fertilizer facilities, including its twelve farm centers, was approximately 13.4 million cubic feet for dry fertilizers and approximately 32.5 million gallons for liquid fertilizers at December 31, 2001. The Company reserves 6.4 million cubic feet of its dry storage capacity for various fertilizer manufacturers and customers and 10.8 million gallons of its liquid fertilizer capacity is reserved for manufacturers and customers. The agreements for reserved space provide the Company storage and handling fees and are generally for an initial term of one year, renewable at the end of each term. The Company also leases 2.3

million gallons of liquid fertilizer capacity under arrangements with various fertilizer dealers and warehouses in locations where the Company does not have facilities.

The Company operates twelve farm centers located throughout Michigan, Indiana and Ohio. These centers, located within the same regions as the Company's grain and wholesale fertilizer facilities, offer agricultural fertilizer, custom application of fertilizer to farms and golf courses, and chemicals, seeds and supplies to the farmer.

In its agricultural fertilizer businesses, the Company competes with regional and local cooperatives, fertilizer manufacturers, multi-state retail/wholesale chain store organizations, and other independent wholesalers of agricultural products. Many of these competitors have considerably larger resources than the Company. Competition in the agricultural products business of the Company is based principally on price, location and service.

Processing Group

The Processing Group produces and markets granular lawn fertilizer and related products. It also produces and distributes corncob-based products to the chemical carrier, pet and industrial markets.

The Company sells consumer lawn products, for "do-it-yourself" application, to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers. Professional lawn products are sold both directly and through distributors to golf courses and lawn service applicators. The lawn products industry is highly seasonal, with the majority of sales occurring from early spring to early summer. During the off-season, the Company sells ice melt products to many of the same customers that purchase consumer lawn products. With the acquisition in 2000 of the U.S. ProTurf® product line from The Scotts Company, Inc., the Company has a significant share of the golf course market in the United States. Principal raw materials for the lawn care products are nitrogen, potash and phosphate, which are purchased primarily from the Company's wholesale fertilizer division. Competition is based principally on merchandising ability, logistics, service and quality.

The Company is one of the largest producers of processed corncob-based products in the United States. These products serve the chemical and feed ingredient carrier, animal litter and industrial markets and are distributed throughout the United States and Canada and into Europe and Asia. The principal sources for the corncobs are seed corn producers. Corn delivered to the Company's grain operations is no longer delivered on the cob, creating the need for the Company to purchase its corncob raw materials from third parties. The limited supply of corncobs has caused the Company to rationalize its product lines and concentrate on higher margin products including pet litter.

Rail Group

The Company's Rail Group buys, sells, leases, rebuilds and repairs various types of used railcars and rail equipment. The division also provides fleet management services to fleet owners and operates a custom steel fabrication business. A significant portion of the railcar fleet

is leased from financial lessors and sub-leased to end-users, generally under operating leases. In addition, the Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary and assigns the related operating lease to the financial intermediary on a non-recourse basis. In such transactions, the Company generally provides ongoing railcar maintenance and management services for the financial intermediary, receiving a fee for these services. The Company generally holds purchase options on most railcars owned by financial intermediaries. The risk management philosophy of the Company includes match-funding of lease commitments and detailed review of lessee credit quality. Generally, the Company completes non-recourse transactions whenever possible to minimize risk.

Competition for railcar marketing and fleet maintenance services is based primarily on service ability, and access to both used rail equipment and third party financing. Repair and fabrication shop competition is based primarily on price, quality and location.

Although the Company first managed a fleet of covered hopper cars used in the grain industry, it has diversified into other car types (boxcars, gondolas, open top hoppers and tank cars) and industries. In 2000, the Company added locomotives to the fleet managed. The Company plans to continue to diversify its fleet both in car types and industries.

Retail Group

The Company’s Retail Group consists of six stores operated as “The Andersons”, which are located in the Columbus, Lima and Toledo, Ohio markets and serve urban, suburban and rural customers. The retail concept is “More for Your Home”™ and includes a full line of home center products plus a wide array of other items not available at the more traditional home center stores. In addition to hardware, home remodeling and lawn and garden products, The Andersons stores offer housewares, automotive products, sporting goods, pet products, bath soft goods and food (bakery, deli, produce, wine and specialty groceries). Each store carries more than 70,000 different items, has 100,000 square feet or more of in-store display space plus 40,000 square feet of outdoor garden center space, and has a center aisle that features do-it-yourself clinics, special promotions and varying merchandise displays. The majority of the Company’s non-perishable merchandise is received at a distribution center located in Maumee, Ohio.

The retail merchandising business is highly competitive. The Company competes with a variety of retail merchandisers, including home centers, department and hardware stores. The principal competitive factors are location, quality of product, price, service, reputation and breadth of selection. The Company’s retail business is affected by seasonal factors with significant sales occurring during the Christmas season and in the spring.

The Company also operates a lawn care sales and service shop adjacent to one of its conventional retail stores.

Other Businesses

The Company sold its interest in The Andersons – Tireman Auto Centers to its venture partner and the general manager on March 31, 2000.

Research and Development

The Company's research and development program is mainly involved with the development of improved products and processes, primarily for the Processing Group. The Company expended approximately $430,000, $340,000, and $380,000 on research and development activities during 2001, 2000 and 1999, respectively.

Employees

At December 31, 2001, the Company had 1,263 full-time and 1,772 part-time or seasonal employees. The Company believes its relations with its employees are good.

Government Regulation

Grain sold by the Company must conform to official grade standards imposed under a federal system of grain grading and inspection administered by the United States Department of Agriculture ("USDA").

The production levels, markets and prices of the grains that the Company merchandises are materially affected by United States government programs, including acreage control and price support programs of the USDA. Also, under federal law, the President may prohibit the export of any product, the scarcity of which is deemed detrimental to the domestic economy, or under circumstances relating to national security. Because a portion of the Company's grain sales is to exporters, the imposition of such restrictions could have an adverse effect upon the Company's operations.

The Company, like other companies engaged in similar businesses, is subject to a multitude of federal, state and local environmental protection laws and regulations including, but not limited to, laws and regulations relating to air quality, water quality, pesticides and hazardous materials. The provisions of these various regulations could require modifications of certain of the Company's existing plant and processing facilities and could restrict the expansion of future facilities or significantly increase the cost of their operations. The Company made capital expenditures of approximately $880,000, $860,000 and $810,000 in order to comply with these regulations in 2001, 2000 and 1999, respectively.

Item 2. Properties

The Company's principal agriculture, retail and other properties are described below. Except as otherwise indicated, the Company owns all properties.

Agriculture Facilities

(in thousands)		Agricultural Fertilizer	
Location	Grain Storage (bushels)	Dry Storage (cubic feet)	Liquid Storage (gallons)
Maumee, OH (3)	21,570	4,500	2,878
Toledo, OH Port (4)	13,450	1,800	2,812
Metamora, OH	6,720	—	—
Lyons, OH (2)	380	53	217
Toledo, OH (1)	1,000	—	—
Fremont, OH (2)	—	42	284
Fostoria, OH (2)	—	40	277
Gibsonburg, OH (2)	—	43	350
Pulaski, OH (1) (2)	—	33	250
Lordstown, OH	—	197	—
Champaign, IL	13,500	833	—
Delphi, IN	6,450	923	—
Clymers, IN	5,150	—	1,469
Dunkirk, IN	7,000	833	—
Poneto, IN	600	10	5,360
North Manchester, IN (2)	—	20	190
Seymour, IN	—	720	943
Waterloo, IN (1) (2)	—	992	1,654
Logansport, IN	—	83	3,652
Walton, IN (2)	—	375	5,962
Albion, MI (2)	2,800	18	167
White Pigeon, MI	2,450	—	—
Webberville, MI	—	1,747	5,060
Litchfield, MI (2)	—	40	252
Union City, MI (2)	—	60	430
Munson, MI (2)	—	33	270
	81,070	13,395	32,477

(1) Facility leased.
(2) Facility is or includes a farm center.
(3) Includes leased facilities with a 4,300-bushel capacity.
(4) Includes leased facilities with a 7,500-bushel capacity.

The grain facilities are mostly concrete and steel tanks, with some flat storage, which is primarily cover-on-first temporary storage. The Company also owns grain inspection buildings and dryers, a corn sheller plant, maintenance buildings and truck scales and dumps.

Wholesale fertilizer and farm center properties consist mainly of fertilizer warehouse and distribution facilities for dry and liquid fertilizers. The Maumee, Ohio, Seymour, Indiana, and Walton, Indiana locations have fertilizer mixing, bagging and bag storage facilities.

Retail Store Properties

Name	Location	Square Feet
Maumee Store	Maumee, OH	131,000
Toledo Store	Toledo, OH	130,000
Woodville Store (1)	Northwood, OH	100,000
Lima Store (1)	Lima, OH	117,000
Brice Store	Columbus, OH	128,000
Sawmill Store	Columbus, OH	134,000
Distribution Center (1)	Maumee, OH	245,000

(1) Leased

The leases for the two stores and the distribution center are long-term leases with several renewal options and provide for minimum aggregate annual lease payments approximating $1 million. The two store leases provide for contingent lease payments based on achieved sales volume. One store had sales triggering payments of contingent rental in 2001 and 2000. Neither store achieved a sales level triggering contingent lease payments in 1999. In addition, the Company owns a service and sales facility for outdoor power equipment adjacent to its Maumee, Ohio retail store.

Other Properties

The Company owns lawn fertilizer production facilities in Maumee, Ohio and lawn fertilizer production facilities in Bowling Green, Ohio and Montgomery, Alabama. It also owns corncob processing and storage facilities in Maumee, Ohio and Delphi, Indiana. The Company leases lawn fertilizer warehouse facilities in Toledo, Ohio and Montgomery, Alabama and lawn fertilizer production and warehouse facilities in Pottstown, Pennsylvania.

In its railcar business, the Company owns, leases or manages approximately 51 locomotives and 5,432 railcars (primarily covered or open hoppers with some boxcars, tank cars and gondolas) with lease terms ranging from one to twelve years and future minimum lease payments aggregating $24.6 million with future minimum contractual lease and service income of approximately $45.8 million. The Company also owns a railcar repair facility, a steel fabrication facility, and owns or leases a number of switch engines, cranes and other equipment.

The Company also owns an auto service center that is leased to its former venture partner. The Company’s administrative office building is leased under a net lease expiring in 2005. The Company owns approximately 1,082 acres of land on which various of the above properties and facilities are located and approximately 349 acres of farmland and land held for future use.

Real properties, machinery and equipment of the Company were subject to aggregate encumbrances of approximately $52 million at December 31, 2001. Additions to property, including intangible assets but excluding railcar assets, for the years ended December 31, 2001, 2000 and 1999 amounted to $9 million, $21 million and $18 million, respectively. See Note 10 to the Company's consolidated financial statements for information as to the Company's leases. See also the consolidated statements of cash flows on page 16 of The Andersons, Inc. 2001 Annual Report to Shareholders for purchases and sales of railcar assets.

The Company believes that its properties, including its machinery, equipment and vehicles, are adequate for its business, well maintained and utilized, suitable for their intended uses and adequately insured.

Item 3. Legal Proceedings

The Company has been named as a defendant in various lawsuits arising in the ordinary course of business. It is not possible at the present time to estimate the ultimate outcome of these actions; however, management believes that the resultant liability, if any, will not be material based on previous experience with lawsuits of these types.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were voted upon during the fourth quarter of fiscal 2001.

Item 4a. Executive Officers of the Registrant

Pursuant to General Instruction G(3) of Form 10-K, the following information with respect to the executive officers of the registrant is included herein in lieu of being included in the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held April 25, 2002.

Name	Position	Age	Year Assumed
Dennis J. Addis	President, Wholesale Fertilizer Division	49	2000
	Vice President and General Manager, Wholesale Fertilizer Division, Agriculture Group		1999
Daniel T. Anderson	President, Retail Group	46	1996
	Director of Marketing and Merchandising, Retail Group		1996
Michael J. Anderson	President and Chief Executive Officer	50	1999
	President and Chief Operating Officer		1996
Richard M. Anderson	President, Processing Group	47	1999
Richard P. Anderson	Chairman of the Board	72	1999
	Chairman of the Board and Chief Executive Officer		1996
Dale W. Fallat	Vice President, Corporate Services	57	1992
Philip C. Fox	Vice President, Corporate Planning	59	1996
Charles E. Gallagher	Vice President, Personnel	60	1996
Richard R. George	Vice President and Controller	52	1996
Beverly J. McBride	Vice President, General Counsel and Secretary	60	1996
Harold M. Reed	President, Grain Division	45	2000
	Vice President and General Manager, Grain Division, Agriculture Group		1999
Rasesh H. Shah	President, Rail Group	47	1999
Gary L. Smith	Vice President, Finance and Treasurer	56	1996

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The information under the caption Quarterly Financial Data and Market for Common Stock on page 12 and Shareholders on the inside back cover of The Andersons, Inc. 2001 Annual Report to Shareholders is incorporated herein by reference. The Company paid quarterly dividends of $0.065, $0.06 and $0.05 per common share, respectively, in 2001, 2000 and 1999. The Company declared quarterly dividends of $0.065 per common share to be paid January 22, 2002 and April 22, 2002 to shareholders of record on January 2, 2002 and April 1, 2002, respectively.

Item 6. Selected Financial Data

The information under the caption Selected Financial Data on page 12 of The Andersons, Inc. 2001 Annual Report to Shareholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information under the caption Management's Discussion & Analysis appearing on pages 18 through 21 of The Andersons, Inc. 2001 Annual Report to Shareholders is incorporated herein by reference. See page 23 of The Andersons, Inc. 2001 Annual Report to Shareholders for discussion of new accounting standards.

Future payments due under debt and lease obligations as of December 31, (in thousands):

Contractual Obligations (in thousands)	Payments Due by Period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Long-term debt	$10,023	$30,545	$20,270	$36,379	$ 97,217
Capital lease obligations	351	746	3,376	—	4,473
Operating leases	5,838	9,269	3,804	5,656	24,567
Total contractual cash obligations	$16,212	$40,560	$27,450	$42,035	$126,257

Included in long-term debt are acquisition liabilities that include minimum royalty payments. There are additional contingent sales-based royalty payments that have not triggered to date and would not be material to the Company if they trigger in the future. The royalty period ends May 2005.

The Company had standby letters of credit outstanding of $9.0 million at December 31, 2001.

The Company's grain inventories include the value of forward purchase contracts to buy grain. These contracts are marked to the market price and require performance in future periods. The terms of these contracts are consistent with industry standards. Refer to the Summary of Significant Accounting Policies note to the consolidated financial statements for further discussion of Inventories and Inventory Commitments.

The Company is subject to various loan convenants as highlighted in the Long-Term Debt note to the consolidated financial statements. Although the Company is and has been in compliance with its covenants, noncompliance could result in default and acceleration of long-term debt payments. The Company does not anticipate noncompliance with its covenants.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The information under the captions Market Risk-Sensitive Instruments and Positions, Commodity Prices and Interest Rates appearing on page 21 of The Andersons, Inc. 2001 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The information under the caption Quarterly Financial Data and Market for Common Stock on page 12 of The Andersons, Inc. 2001 Annual Report to Shareholders, the Report of Independent Accountants as of December 31, 2001 and for the two years then ended on page 13 of The Andersons, Inc. 2001 Annual Report to Shareholders, as well as the following consolidated financial statements of The Andersons, Inc. set forth on pages 14 through 17 and 21 through 32 of The Andersons, Inc. 2001 Annual Report to Shareholders are incorporated herein by reference:

• Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999

• Consolidated Balance Sheets as of December 31, 2001 and 2000

• Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999

• Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999

• Notes to Consolidated Financial Statements

Following is the Report of Independent Auditors on the Consolidated Financial Statements and schedule as of and for the year ended December 31, 1999:

Report of Independent Auditors

Board of Directors
The Andersons, Inc.

We have audited the accompanying consolidated statements of income, shareholders' equity and cash flows of The Andersons, Inc. and subsidiaries for the year ended December 31, 1999. Our audit also included the financial statement schedule listed in the index at
Item 14(a) as of December 31, 1999 and for the year then ended. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We have not audited the consolidated financial statements of The Andersons, Inc. and subsidiaries for any period subsequent to December 31, 1999.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations of The Andersons, Inc. and subsidiaries and their cash flows for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule as of December 31, 1999 and for the year then ended, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Toledo, Ohio
January 24, 2000

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

PART III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the registrant, see “Executive Officers of the Registrant” included in Part I of this report. For information with respect to the Directors of the registrant, see “Election of Directors” in the Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2002 (the “Proxy Statement”), which is incorporated herein by reference; for information concerning 1934 Securities and Exchange Act Section 16(a) Compliance, see such section in the Proxy Statement, incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the caption “Executive Compensation” in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption “Security Ownership” in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) The consolidated financial statements of the Company, as set forth under Item 8 of this report on Form 10-K, are incorporated herein by reference from The Andersons, Inc. 2001 Annual Report to Shareholders.

(2) The following consolidated financial statement schedule and Report of Independent Accountants on Financial Statement Schedule is included in Item 14(d):

	Page
II. Consolidated Valuation and Qualifying Accounts — years ended December 31, 2001, 2000 and 1999	19
Report of Independent Accountants on Financial Statement Schedule	18

All other schedules for which provisions are made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(3) Exhibits:

2.1 Agreement and Plan of Merger, dated April 28, 1995 and amended as of September 26, 1995, by and between The Andersons Management Corp. and The Andersons. (Incorporated by reference to Exhibit 2.1 to Registration Statement No. 33-58963)

3.1 Articles of Incorporation. (Incorporated by reference to Exhibit 3(d) to Registration Statement No. 33-16936)

3.4 Code of Regulations of The Andersons, Inc. (Incorporated by reference to Exhibit 3.4 to Registration Statement No. 33-58963)

4.3 Specimen Common Share Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement No. 33-58963)

4.4 The Seventeenth Supplemental Indenture dated as of August 14, 1997, between The Andersons, Inc. and The Fifth Third Bank, successor Trustee to an Indenture between The Andersons and Ohio Citizens Bank, dated as of October 1, 1985. (Incorporated by reference to Exhibit 4.4 to The Andersons, Inc. the 1998 Annual Report on Form 10-K)

10.1	Management Performance Program. * (Incorporated by reference to Exhibit 10(a) to the Predecessor Partnership's Form 10-K dated December 31, 1990, File No. 2-55070)
10.2	The Andersons, Inc. Amended and Restated Long-Term Performance Compensation Plan * (Incorporated by reference to Appendix A to the Proxy Statement for the April 25, 2002 Annual Meeting)
10.3	The Andersons, Inc. Employee Share Purchase Plan * (Incorporated by reference to Appendix C to Registration Statement No. 33-58963)
13	The Andersons, Inc. 2001 Annual Report to Shareholders
21	Subsidiaries of The Andersons, Inc.
23.1	Consent of Independent Auditors
23.2	Consent of Independent Accountants

* Management contract or compensatory plan.

The Company agrees to furnish to the Securities and Exchange Commission a copy of any long-term debt instrument or loan agreement that it may request.

(b) Reports on Form 8-K:
There were no reports on Form 8-K filed in the fourth quarter of 2001.

(c) Exhibits:
The exhibits listed in Item 14(a)(3) of this report, and not incorporated by reference, follow "Financial Statement Schedule" referred to in (d) below.

(d) Financial Statement Schedule and Report of Independent Accountants on Financial Statement Schedule:
The financial statement schedule and Report of Independent Accountants on Financial Statement Schedule listed in 14(a)(2) follow "Signatures".

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ANDERSONS, INC. (Registrant)
By /s/Michael J. Anderson

Michael J. Anderson
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date	Signature	Title	Date
/s/Michael J. Anderson Michael J. Anderson	President Chief Executive Officer (Principal Executive Officer)	3/19/02	/s/John F. Barrett John F. Barrett	Director	3/19/02
/s/Richard R. George Richard R. George	Vice President & Controller (Principal Accounting Officer)	3/19/02	/s/Paul M. Kraus Paul M. Kraus	Director	3/19/02
/s/Gary L. Smith Gary L. Smith	Vice President, Finance & Treasurer (Principal Financial Officer)	3/19/02	/s/Donald L. Mennel Donald L. Mennel	Director	3/19/02
/s/Richard P. Anderson Richard P. Anderson	Chairman of the Board Director	3/19/02	/s/David L. Nichols David L. Nichols	Director	3/19/02
/s/Donald E. Anderson Donald E. Anderson	Director	3/19/02	/s/Sidney A. Ribeau Dr. Sidney A. Ribeau	Director	3/19/02
/s/Richard M. Anderson Richard M. Anderson	Director	3/19/02	/s/Charles A. Sullivan Charles A. Sullivan	Director	3/19/02
/s/Thomas H. Anderson Thomas H. Anderson	Director	3/19/02	/s/Jacqueline F. Woods Jacqueline F. Woods	Director	3/19/02

Except for those portions of The Andersons, Inc. 2001 Annual Report to Shareholders specifically incorporated by reference in this report on Form 10-K, such annual report is furnished solely for the information of the Securities and Exchange Commission and is not to be deemed “filed” as a part of this filing.

Report of Independent Accountants on
Financial Statement Schedule

To the Board of Directors
of The Andersons, Inc.:

Our audits of the consolidated financial statements referred to in our report dated January 28, 2002 appearing in the 2001 Annual Report to Shareholders of The Andersons, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule for the years ended December 31, 2001 and 2000 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Toledo, Ohio
January 28, 2002

SCHEDULE II — CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
THE ANDERSONS, INC.

(in thousands) Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts - Describe	Deductions -Describe	Balance at End of Period
Allowance for doubtful accounts receivable:					
Year ended December 31, 2001	$3,084	$ 448	$ —	$ 831(1)	$2,701
Year ended December 31, 2000	3,980	776	—	1,672(1)	3,084
Year ended December 31, 1999	4,455	827	—	1,302(1)	3,980
Allowance for doubtful notes receivable:					
Year ended December 31, 2001	$ 698	$(224)	$ —	$ 2(1)	$ 472
Year ended December 31, 2000	583	135	—	20(1)	698
Year ended December 31, 1999	515	354	—	286(1)	583

(1) Uncollectible accounts written off, net of recoveries

EXHIBIT INDEX

THE ANDERSONS, INC.

Exhibit Number	
13	The Andersons, Inc. 2001 Annual Report to Shareholders
21	Subsidiaries of The Andersons, Inc.
23.1	Consent of Independent Auditors
23.2	Consent of Independent Accountants

Exhibit 13

THE ANDERSONS 2001 ANNUAL REPORT

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CORPORATE PROFILE

The Andersons, Inc. (Nasdaq: ANDE) is a diversified agribusiness and retailing company with annual revenues of approximately $1.0 billion. The company, which began operations in Maumee, Ohio in 1947 with one grain elevator and 500,000 bushels of storage capacity, today has four operating groups: Agriculture, Processing, Rail and Retail. For more in-depth information about the company, please visit our website at www.andersonsinc.com.

2001 ACCOMPLISHMENTS

- - Earned $1.21 per diluted share in 2001 vs. $1.08 per diluted share in 2000 (before nonrecurring items and cumulative effect of change in accounting principle)

- - The Andersons' shares earned 19% (total return)

- - Record performance by the Agriculture Group

- - Added progressive grain contracting tools

- - Ended 2001 with 65.4 million bushels of grain in storage, second largest in our history

- - Began producing liquid roadway and runway de-icers, specialty chemicals, and specialty nutrients

- - Ended 2001 in control of 5,432 railcars and 51 locomotives, 13% and 70% higher than 2000, respectively

- - Created the new Andersons(TM) Golf Products brand for the professional turf market

- - Grew our Retail offerings by adding fresh meat selection at our Maumee Retail Store

- - Entered into agreement with FirstEnergy Solutions to better manage our utility expense

- - Safety - 2001 was a record year for the number of facilities going accident free

FINANCIAL HIGHLIGHTS

(in thousands, except for per share data)	2001	2000	% CHANGE
OPERATIONS			
Grain sales & revenues	$480,219	$490,820	(2.2)%
Fertilizer, retail & other sales	504,408	470,302	7.3%
TOTAL SALES & REVENUES	$984,627	$961,122	2.4%
Gross profit - grain	$52,029	$46,789	11.2%
Gross profit - fertilizer, retail & other	107,316	110,174	(2.6)%
TOTAL GROSS PROFIT	$159,345	$156,963	1.5%
Other income / gains	$3,841	$7,069	(45.7)%
Income before income taxes and cumulative effect of accounting change	11,931	14,364	(16.9)%
Net income	8,857	10,078	(12.1)%
Effective tax rate	24.2%	29.8%	(18.9)%
PER SHARE DATA			
Net income - basic	$1.22	$1.34	(9.0)%
Net income - diluted	1.21	1.34	(9.7)%
Net income - diluted before nonrecurring items (1)	1.21	1.08	12.0%
Dividends paid	0.26	0.24	8.3%
Year end market value	10.00	8.63	15.9%
PERFORMANCE			
Pretax return on beginning equity	13.3%	16.9%	
Net income return on beginning equity	9.9%	11.9%	
Long-term debt to equity ratio (2)	1.02-TO-1	0.9-to-1	
Weighted average shares outstanding - basic	7,281,000	7,507,000	
Number of employees	3,035	3,112	
EBITDA (thousands)	$37,764	$39,312	
EBITDA (net of interest to carry grain inventories - thousands)	33,699	34,566	

	2001	2000
(1) Diluted EPS	$1.21	$1.34
Cumulative effect of change in accounting principle	0.03	--
Gain on involuntary conversion (net of tax)	(0.03)	(0.18)
Gain on sales of business (net of tax)	--	(0.08)
Diluted EPS before non-recurring items	$1.21	$1.08

(2) Including pension and postretirement benefits

	[Pie Chart] 2001 REVENUES YEAR: $985 MILLION	[Pie Chart] BEGINNING ALLOCATED CAPITAL (AS OF (1/1/01) TOTAL: $186 MILLION	[Bar Chart] OPERATING INCOME TOTAL: $11.9 MILLION
Agriculture	67.3%	40.3%	$19.8
Processing	11.5%	21.9%	(7.7)
Rail	3.1%	17.6%	(0.3)
Retail	18.1%	20.2%	1.8
Other	--	--	(1.7)
	100.0%	100.0%	$11.9

Shareholders and friends,

In a year that will be remembered for sadness, upheaval, and uncertainty, The Andersons turned in a solid performance for shareholders in 2001, providing a 19% total return. Equity investors were looking for consistent, essential industries as the economy slowed and the grave events of Sept. 11 added more confusion for the equity markets. Basic industries, including agricultural products and services, once again prove to provide an attractive choice for investors in difficult times. In 2001, shareholders liked our position in the food chain. We are committed to increasing shareholder value as well as providing extraordinary service to our customers, helping our employees improve and supporting our communities.

Revenue was $984.6 million compared to $961.1 million for 2000. Net income was $8.9 million compared to $10.1 million in 2000. Earnings per diluted share [EPDS] in 2001 was $1.21 vs. $1.34 in 2000. Income in 2001 included a non-cash charge equal to $0.13 per diluted share to recognize the decline in market value of certain rail assets. Included in the 2000 EPS were: 1) a $0.18 per diluted share gain from an insurance recovery [related to one of our fertilizer facilities], and 2) $0.08 per diluted share from the sale of our interest in a chain of tire and auto centers. On a comparative basis, we are pleased with the quality of earnings from operations, excluding non-recurring gains and accounting changes, in 2001, $1.21 EPDS vs. $1.08 EPDS in 2000.

Operating performance in 2001 produced mixed results. Our core business, the Agriculture Group, achieved a record operating performance. Vigilant attention to inventory positions, margin control and facility utilization were key to a very successful year. Our team added value to the excellent business conditions. Good harvests in our market territory increased demand for grain storage space. Fertilizer demand was strong and our organization performed very well during the heavy spring planting season. Our farm center units made a significant turnaround in 2001. The Retail Group turned in a respectable performance, although not as good as in 2000. Lower railcar lease rates and the slowing economy impacted the Rail Group. The Processing Group was positioned for significant growth in the consumer and professional turf markets which did not materialize. Excess capacity, high nitrogen costs and a significant slowdown in the golf industry all played a part in Processing's unfavorable performance in 2001. For more detail on the 2001 performance, see the business review pages of this report.

We are very excited about our prospects in 2002. The entire team is dedicated to build on our core competencies and capabilities. We have a long history of physical handling, storing, maintaining, formulating, transporting and financial management of bulk materials. This history has provided us with the opportunity to enhance those bulk materials into added value products and services that provide solutions for our customers. Quality and integrity are a must for long-lasting relationships. With 54 years of experience, we know the importance of long-term relationships.

The resurgence of earnings growth in the Agriculture Group in 2000 continued in 2001. The Ag Group is our largest investment and the base on which most of our other

businesses were created. We ended 2001 with 65.4 million bushels of grain in storage, the second largest level in our history. The huge inventory puts the Grain Division in an excellent position to generate storage income during the first six months of 2002. Grain inventory supply and demand varies widely from year to year. We believe that demand in the grain markets will force shipments of stored grain early in 2002, and therefore, we do not expect storage income to exceed that of 2001.

The Crop Revenue Profiler(TM) software program continues to help producers make complex decisions about their crop marketing programs. It integrates the potential of crop insurance, government programs and various marketing contracts to help producers achieve a more predictable result, thus reducing the impact of volatile crop prices. Adding value for our producers ultimately enhances our profitability through fee income and better customer relationships.

During 2001 we spent a significant amount of time developing a grain-growth strategy, including value-added opportunities for our customers. We have added progressive grain contracting tools, which should result in a more secure grain volume and increased fee revenue. We continue to seek marketing opportunities outside our historic marketing regions. As we stretch our professional sales and marketing talents to source and sell more grain, we are committed to increase the efficiency of our grain operations through automation.

The Wholesale Fertilizer Division's [WFD] focus on consistent, dependable year-round logistics and supply is capturing market share across all agricultural customer segments. The division continues to look for added capacity adjacent to our market region. In addition, WFD is using its primary agriculture handling and formulating expertise in specialty agricultural and non-agricultural applications. We are now producing liquid roadway and runway de-icers, specialty biological nutrients for wastewater treatment and specialty nutrients for agriculture.

We continue to believe population growth, demand for improved diets and higher standards of living will benefit those invested in the U.S. agriculture system, including The Andersons.

In the Rail Group, we thought railcar prices and lease rates were beginning to stabilize; however, the events of Sept. 11 dampened the market. Rates dropped and customers were less likely to take on long-term leases. Fortunately, demand late in the fourth quarter of 2001 started to improve. We are in the process of repairing 400 cars which should be placed in service with a major customer during the second quarter of 2002. We ended 2001 with 74% of the railcars under management in service. We expect double-digit improvement in our utilization rate in 2002, which would lead to a significant improvement in the Group's income from operations.

Rail had 5,432 railcars under management at the end of 2001, 13% more than in 2000. In addition, we have 51 locomotives, 70% more than a year earlier. New car building is expected to be down in 2002, as is demand for all types of railcars. However, we concentrate on used cars that can be reconfigured to meet customers' needs and to add

economic life to the equipment. With lease rates at relatively low levels, our focus is on short-term lease deals, diligent management of inventories, valuation and positions, and stepping up our sales and marketing efforts.

Important components of our Rail business are the repair and maintenance shops. Our long-term quest is to be a total rail solutions provider. The shops have created a number of profitable and exciting rail components which we design, manufacture, install and lease. The repair and maintenance shops performed nicely in 2001 and should make excellent contributions in future years, both in profits and as a complement to our operating lease business.

The Processing Group is getting much of our attention after 2001's very disappointing year. The lawn and professional fertilizer industry suffered one of the worst years in recent history. We continue to work on the integration of our 2000 acquisition of a professional turf business - now Andersons Golf Products(TM). We believe that the industry must consolidate to service customers with maximum efficiency. Manufacturing capabilities and logistics resources need to be rationalized. Our team was slow to recognize and act on the industry dynamics in 2001. We remain intent on leveraging our position if a consolidation scenario develops.

We have reorganized and downsized several functions in the Group to streamline the business. Volume is expected to grow about 7% in 2002, which will reduce our excess capacity. We have priced and contracted for a larger portion of 2002 nitrogen needs to avoid excessive margin volatility. We have increased our selling prices in certain sectors, which will add margin. Expense control, supply chain efficiency (freight and warehousing), and working capital levels are all being scrutinized. We are determined to turn the business around.

Our Retail Group focus is on MORE FOR YOUR HOME(TM) as its primary product and customer service offering. The addition of fresh meats in the Maumee Store has been a huge success. Fresh meats will be added to the Toledo Store in early 2002 and perhaps in other stores later in the year. The offering complements our other food operations like wine, bakery, and fresh fruits and vegetables. We are looking for other retail products that complement and add shopping frequency for our core product line.

Recent market research suggests that we modify our store design to improve customer flow, which potentially can add to the average sale and more prominently feature select merchandise. We plan to test the new design at the Woodville Store in 2002. Inventory efficiency, in-stock performance and improved technologies in our distribution center are on the drawing board for 2002.

We have been in a holding pattern with six stores for some time. We are starting to evaluate our long-term growth potential, testing site selection models and even evaluating a few specific sites. If we determine growth is justified, we will need to determine the right capital structure for the business.

On the Corporate/Administrative front we have been aggressively cutting overhead costs, downsizing in select areas, and intensifying strategic sourcing and procurement efforts to find more efficient and less expensive business practices. These initiatives began early in 2001 and will continue through 2002.

Lower interest rates have allowed us to take more to the bottom line, but more importantly, to lock in additional fixed rate long-term debt at lower rates. The added long-term debt had a positive impact on net working capital, which grew 36% by the end of 2001. This will provide us with more stability in the future. Our balance sheet has grown to over $450 million in total assets. Most of the asset growth is in grain inventories. Contrary to the way most non-commodity businesses operate, high grain inventories are generally a positive indicator for the near future. In our remaining businesses, we are striving to use working capital more efficiently.

Reaching our goals on profitability, working capital management, total shareholder return and long-term strategic planning will demand the best from all of us. We have the talents and resources to meet these challenges. We are committed to leverage the skill sets we have, build on our core competencies, keep our house in order and be prepared to respond to the ever-changing industries and customers we serve.

We expected an improvement in operating income in 2001, after adjusting for the one-time gains reported in 2000, and that was accomplished. However, achieving excellent performance in one sector but a disappointing performance in another sector is not acceptable. We must deal with the volatility to provide long-lasting shareholder value.

We will rely heavily on the talents of more than 3,000 loyal employees. Their creativity and dedication to provide extraordinary products and service to our customers are keys to our success. We are grateful to them, to our customers and suppliers, and to you our shareholders.

Sincerely

/s/Mike   /s/Dick

Mike Anderson, CEO   Dick Anderson, Chairman

AGRICULTURE GROUP

The AGRICULTURE GROUP operates grain elevators and fertilizer formulation and distribution facilities in Ohio, Michigan, Indiana and Illinois. Its elevators receive large quantities of grain and oilseeds (primarily corn, soybeans and wheat) from farms and country elevators in the region, store and condition it, then market it via rail or ship to domestic and export processors. Its fertilizer distribution facilities market large volumes of dry and liquid agricultural fertilizers to dealers and company-owned farm centers. The group's farm centers, located in Ohio, Michigan and Indiana, sell fertilizer, crop protection chemicals, seed and field application services to area farms.

In 2001, the group achieved the highest operating income in its 55-year history. While total revenues were relatively unchanged from 2000, operating income increased by 38%, reaching $19.8 million for the year. This increase reflected bottom-line improvement in all three businesses.

2001 was the fifth consecutive year with relatively good growing seasons and crop yields in the eastern corn belt. While U.S. corn production was down slightly this year, total grain stocks in the U.S. remained quite high, so demand for grain storage continued to be strong, and the group once again achieved higher income from its extensive storage space. Increases in grain drying income and bushel sales volume also contributed to gross profit and operating income growth as did the group's specialty oats business and its service businesses, i.e. its Crop Revenue ProfilerTM software, crop insurance marketing programs and licensing agreements.

Operating income growth was also achieved by the group's fertilizer business in 2001, a year when many other participants in the fertilizer industry saw income drop dramatically. Although grain prices remained relatively low, a factor that has dampened fertilizer consumption in the U.S., the group was able to leverage its assets and market position to increase volumes and margins. The group's market share benefited from its strong customer focus, and margins were enhanced as a result of its supply management expertise and growth of new value-added agricultural and non-agricultural products and services.

Excellent progress was similarly achieved by the group's farm centers. Gross profit increased and expenses decreased from consolidation, closure and improved expense management. As a result, this business achieved a modest operating profit for the year.

A sizable portion of the Company's total spending on plant and equipment in 2001 was allocated to the Agriculture Group. In addition to numerous minor and major maintenance projects, significant improvements were made at its Logansport, Indiana facility to accommodate the production of new roadway anti-icer products.

[Bar Charts]

	1997	1998	1999	2000	2001
SALES & REVENUES	$ 768	$ 829	$ 674	$ 648	$ 663
OPERATING INCOME	2.3	6.7	6.1	14.3	19.8
UNIT VOLUMES					
Grain Bushel Receipts (Millions)	145	157	158	156	155
Grain Bushels Shipped (Millions)	118	157	150	156	154
Wholesale Fertilizer Tons Sold (000)	845	850	926	971	1,010
Farm Center Application Acres (000)	318	333	552	479	475

PROCESSING GROUP

The PROCESSING GROUP manufactures turf and ornamental plant fertilizer and control products for major retailers in the U.S. and is the industry-leading supplier of premium turf-care products for golf courses and other professional markets. It also produces corncob-based chemical and feed ingredient carriers, animal bedding, cat litter and ice-melter products. The group operates facilities in Maumee and Bowling Green, Ohio; Montgomery, Alabama; Pottstown, Pennsylvania and Delphi, Indiana.

Total revenues in 2001 increased by $5.4 million, or 5%, primarily due to the full-year operation of the premium golf course fertilizer business acquired from The Scotts Co. in mid-2000. The group incurred an operating loss of $7.7 million for the year, more than double the loss it sustained in the previous year.

2001 was a very difficult year for the entire lawn industry. Retail fertilizer sales in the U.S. were hurt by softness in the general economy and cold weather experienced early in the spring season. Our sales into the retail distribution channel were also impacted by the efforts of retailers across the country to reduce their in-store inventories. The volume of our turf-care products sold into the golf course market was similarly hurt when the number of golf rounds played per course in the U.S. declined and golf course superintendents scrambled to curtail expenditures wherever possible. Gross margins were hurt by higher raw material costs and a weather-influenced shift away from higher-margin control products such as early-season crabgrass preventers. In response to these factors, we have taken steps to significantly reduce costs. At the same time, we are working to implement a rational market development program that will enable us to better utilize our available production capacity. We expect 2002 to show considerable improvement from 2001 results.

Because one of the key markets of the group's cob business is the lawn fertilizer industry, it experienced some softness in tons sold, total revenues and operating income in 2001. Performance of the group's pet business in 2001 was relatively unchanged from the previous year.

[Bar Charts]

	1997	1998	1999	2000	2001
SALES & REVENUES	$ 63.4	$ 76.4	$ 85.0	$ 107.4	$ 112.8
OPERATING INCOME (LOSS)	$ 0.7	$ 2.8	$ (0.1)	$ (3.5)	$ (7.7)

RAIL GROUP

The RAIL GROUP sells and leases railcars and locomotives. It also repairs and reconfigures various types of railcars to meet customer specifications, and it operates a custom steel fabrication business. The group's rail marketing business has grown significantly in the past decade and now controls a fleet of more than 5,400 railcars and 51 locomotives. The fleet consists of covered hopper cars, boxcars, open top hopper cars, gondolas, and tank cars. The group leases its rolling stock to shippers, railroads and fleet owners in a wide range of industries throughout North America.

The group's total revenues increased by $12 million, or about 64%, in 2001. Because of a writedown during the year of certain railcars that had been acquired prior to the market reaching a cyclical low point, the group incurred an operating loss of $0.3 million for the year. In 2000, the group reported an operating income of $1.0 million. Excluding the asset valuation adjustment, the group generated operating income in 2001 slightly above the year-earlier level.

While lease rates for some types of railcars were beginning to show signs of recovery from lows of the past two years, the events of September 11 reintroduced uncertainty into the markets. Thus lease rates continued to be soft, market values of some car types remained depressed, and the environment for new leases remained short-term for the most part. Although interest rates and fuel costs have declined, some lessors are still reluctant to enter into long-term lease commitments, favoring instead a more conservative position. In this environment, the railcar marketing business continued to pursue short-term leasing opportunities rather than making car sales or entering into long-term leasing deals. In the short-term, the Rail Group was not able to realize any significant gains from car sales, and leasing income per car declined. The number of cars in service increased, however, and the depressed railcar values enabled us to continue building our equipment portfolio. During the year the number of locomotives in the lease fleet more than doubled. Our total investment in rail assets increased by 8.7% in 2001, and stood at $38 million at year-end, as shown ON the Company's balance sheets.

The railcar repair shop and the fabrication shop performed well in 2001. The integration of these shops with the rail marketing business continues to demonstrate promise. As we strive to be a total rail solution provider for our customers, some exciting opportunities are emerging, for example, in component manufacturing, whereby we design a component, manufacture it, install it on a car, then lease the refurbished car to our customer.

As the group continues to build the lease fleet, care is taken to diversify it in terms of lease duration, car types, industries, customers and geographic dispersion. We will continue to monitor credit quality of its customers diligently, and to match-fund assets and liabilities as much as possible to effectively manage risk.

[Bar Charts]

	1997	1998	1999	2000	2001
SALES & REVENUES	$ 23.5	$ 50.4	$ 55.3	$ 19.0	$ 31.1
OPERATING INCOME (LOSS)	$ 3.3	$ 4.4	$ 4.2	$ 1.0	$ (0.3)
FLEET SIZE					
Railcars	3,514	4,082	4,420	4,815	5,432
Locomotives			30	30	51

RETAIL GROUP

The RETAIL GROUP operates six large stores in Ohio. Three are located in the Toledo area, two in Columbus and one in Lima. Four are stand-alone facilities, having in-store selling space of 130,000 or more square feet each. The other two are slightly smaller mall-based units. Our central message to the retail customer is that our stores offer MORE FOR YOUR HOME.(TM) The product offering includes a broad array of traditional home center merchandise - plumbing, electrical aND building supplies, hardware, flooring, paint and lighting products. In addition, our stores feature lawn and garden products, extensive lines of housewares and domestics, workwear, pet supplies, automotive supplies, sporting goods and the Uncommon MarketTM - a unique offering of high quality foods including a deli with cheeses from around the world, produce, a bakery featuring hard-crusted European-style breads, specialty gourmet foods, frozen meats, and one of the largest selections of fine wines in the Midwest.

Total sales for the group were down 3.2% in 2001, and operating income of $1.9 million for the year was $1.3 million below its 2000 results. Approximately half of the year-to-year reduction in sales and operating income was due to the fifty-third week in 2000, an extra reporting period that occurs every few years. The sluggish economy this year also contributed to the decline, as did the virtual absence of demand for snow/cold weather merchandise in the months of January and December, a complete reversal from our 2000 experience. Average gross margins for the year were up slightly due to a shift in product mix to higher margin merchandise. Competitive wage pressures in our region continued to increase labor and benefit costs for the group. In total, expenses were well controlled.

There were several bright spots in this year's performance. Flooring sales were up 42%. Christmas trim increased by 8%. Wine sales were also up 8%, and the entire food business performed well, achieving 4% sales growth overall. A fresh meat department was added in our Maumee store during the year. Its sales have been strong, and it has raised the customer count trend for that store as well.

We also achieved several operational improvements in 2001. Total labor hours were reduced from year-earlier levels without a reduction in customer service levels. Our in-stock performance was the highest it's been since we began to measure it five years ago, an improvement made possible by new in-store ordering and inventory control processes using wireless data processing technology. Constant attention to product mix enhancements and operational efficiency are driven by our goal of providing noticeably extraordinary service to our customers.

[Bar charts]

	1997	1998	1999	2000	2001
SALES & REVENUES					
Retail	$ 173	$ 174	$ 181	$ 184	$ 178
OPERATING INCOME					
Retail	$ 0.6	$ 1.7	$ 2.6	$ 3.2	$ 1.9

SELECTED FINANCIAL DATA

(in thousands, except for per common share data)	2001	2000	1999	1998	1997
Operating Results					
Total sales & revenues (a)	$ 984,627	$ 961,122	$1,005,922	$1,140,445	$1,039,816
Net income	8,857(b)	10,078(c)	8,379	9,752	4,074(d)
Per common share data:					
Earnings - basic	1.22	1.34	1.05	1.21	0.50
Dividends paid	0.26	0.24	0.20	0.16	0.12
Balance Sheet Data					
Total assets	$ 454,076	$ 439,106	$ 376,776	$ 360,823	$ 368,244
Working capital	75,005	55,260	67,939	65,898	53,595
Long-term debt (e)	91,316	80,159	74,127	71,565	65,709
Shareholders' equity	94,934	89,836	84,805	82,734	72,201

(a) Includes reclassifications to prior years to decrease revenues for certain financing transactions in the Rail Group previously displayed on a gross basis

(b) Non-recurring gain of $0.3 million for an insurance settlement is included ($0.2 million after tax).

(c) Non-recurring gains of $2.1 million for an insurance settlement and $1.0 million on the sale of a business are Included ($2.0 million after tax).

(d) Non-recurring charge of $1.1 million for asset impairment is included ($0.7 million after tax).

(e) Excludes current portion.

QUARTERLY FINANCIAL DATA AND MARKET FOR COMMON STOCK

(in thousands, except for per common share data) (a)			Net Income (Loss) before Cumulative Effect		Net Income (Loss)		Common Stock Quote		Dividends
Quarter Ended	Net Sales	Gross Profit	Amount	Per Share-Basic	Amount	Per Share-Basic	High	Low	Declared
2001									
March 31	$218,007	$ 35,115	$ (630)	$ (0.09)	$ (815)	$ (0.11)	$ 8.94	$ 8.03	$ 0.065
June 30	273,064	48,260	7,274	1.00	7,274	1.00	8.88	7.50	0.065
September 30	186,518	31,314	(1,905)	(0.26)	(1,905)	(0.26)	10.00	7.72	0.065
December 31	307,038	44,656	4,303	0.60	4,303	0.60	10.00	8.51	0.065
Year	$984,627	$ 159,345	$ 9,042	1.24	$ 8,857	1.22			$ 0.260
2000									
March 31	$202,181	$ 35,054	$ 1,222	$ 0.16	$ 1,222	$ 0.16	$ 8.25	$ 6.94	$ 0.060
June 30	260,825	44,858	6,718	0.89	6,718	0.89	9.69	6.88	0.060
September 30	176,391	32,039	(2,235)	(0.30)	(2,235)	(0.30)	10.13	8.50	0.060
December 31	321,725	45,012	4,373	0.59	4,373	0.59	9.00	7.78	0.065
Year	$961,122	$ 156,963	$ 10,078	1.34	$10,078	1.34			$ 0.245

(a) Includes reclassifications of quarters to decrease revenues for certain financing transactions in the Rail Group previously displayed on a gross basis

Report of Independent Accountants

To the Board of Directors and
Shareholders of The Andersons, Inc.

In our opinion, the accompanying consolidated balance sheets, and the related consolidated statements of income, of cash flows and of shareholders' equity, as presented on pages 14 through 17 and pages 21 through 32, present fairly, in all material respects, the financial position of The Andersons, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The financial statements of the Company for the year ended December 31, 1999 were audited by other independent auditors whose report dated January 24, 2000 expressed an unqualified opinion on those statements.

/S/ Pricewaterhouse Coopers LLP

Toledo, Ohio
January 28, 2002

The Andersons, Inc.

Consolidated Statements of Income

(in thousands, except per common share data)	YEAR ENDED DECEMBER 31 2001	2000	1999
Sales and merchandising revenues	$ 984,627	$ 961,122	$1,005,922
Cost of sales and merchandising revenues	825,282	804,159	855,959
Gross profit	159,345	156,963	149,963
Operating, administrative and general expenses	139,685	137,839	132,682
Interest expense	11,570	11,829	9,517
Other income / gains:			
Other income	3,503	3,989	4,195
Gain on insurance settlements	338	2,088	--
Gain on sale of business	--	992	--
Income before income taxes and cumulative effect of accounting change	11,931	14,364	11,959
Income tax provision	2,889	4,286	3,580
Income before cumulative effect of accounting change	9,042	10,078	8,379
Cumulative effect of change in accounting principle, net of income tax benefit	(185)	--	--
Net income	$ 8,857	$ 10,078	$ 8,379
Per common share:			
Basic earnings	$ 1.22	$ 1.34	$ 1.05
Diluted earnings	$ 1.21	$ 1.34	$ 1.03
Dividends paid	$ 0.26	$ 0.24	$ 0.20

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

The Andersons, Inc.

Consolidated Balance Sheets

(in thousands)	December 31 2001	December 31 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,697	$ 13,138
Accounts and notes receivable:		
Trade receivables, less allowance for doubtful accounts of $2,701 in 2001; $3,084 in 2000	51,080	51,435
Margin deposits	3,756	5,706
	54,836	57,141
Inventories	238,291	211,863
Railcars available for sale	11,932	12,719
Deferred income taxes	3,963	3,444
Prepaid expenses and other current assets	11,954	10,429
Total current assets	326,673	308,734
Other assets:		
Other assets and notes receivable, less allowance for doubtful notes receivable of $472 in 2001; $698 in 2000	5,344	8,598
Investments in and advances to affiliates	956	1,422
	6,300	10,020
Railcar assets leased to others, net	26,102	22,281
Property, plant and equipment, net	95,001	98,071
	$ 454,076	$ 439,106
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 82,600	$ 71,300
Accounts payable for grain	66,968	67,468
Other accounts payable	50,996	64,619
Customer prepayments and deferred income	22,683	23,249
Accrued expenses	18,047	17,712
Current maturities of long-term debt	10,374	9,126
Total current liabilities	251,668	253,474
Deferred income	2,209	3,166
Pension and post-retirement benefits	5,302	3,684
Long-term debt, less current maturities	91,316	80,159
Deferred income taxes	8,647	8,787
Total liabilities	359,142	349,270
Shareholders' equity:		
Common shares, without par value		
Authorized -- 25,000 shares		
Issued -- 8,430 shares at stated value of $0.01 per share	84	84
Additional paid-in capital	66,431	66,488
Treasury shares, at cost (1,174 in 2001; 1,070 in 2000)	(10,687)	(9,852)
Accumulated other comprehensive income	(964)	--
Unearned compensation	(83)	(78)
Retained earnings	40,153	33,194
	94,934	89,836
	$ 454,076	$ 439,106

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

The Andersons, Inc.

Consolidated Statements of Cash Flows

(in thousands)	YEAR ENDED DECEMBER 31 2001	2000	1999
OPERATING ACTIVITIES			
Net income	$ 8,857	$ 10,078	$ 8,379
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,264	13,119	11,282
Provision for losses on accounts and notes receivable	224	911	1,180
Cumulative effect of accounting change, net of income tax benefit	185	--	--
Gain on insurance settlements	(338)	(2,088)	--
Gain on sale of business	--	(992)	--
Gain on sale of property, plant and equipment	(336)	(35)	(459)
Realized and unrealized (gains) losses on railcars	1,172	(110)	(1,573)
Deferred income taxes	(539)	2,242	854
Other	368	112	258
Cash provided by operations before changes in operating assets and liabilities	23,857	23,237	19,921
Changes in operating assets and liabilities:			
Accounts and notes receivable	2,080	(6,984)	7,549
Inventories	(26,428)	(35,811)	4,823
Prepaid expenses and other assets	272	(2,632)	1,913
Accounts payable for grain	(500)	(1,415)	(20,095)
Other accounts payable and accrued expenses	(5,389)	5,302	(2,432)
Net cash provided by (used in) operating activities	(6,108)	(18,303)	11,679
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(9,155)	(16,189)	(17,963)
Purchases of railcars	(21,790)	(16,245)	(40,209)
Purchase of U.S. ProTurf(R)and other business assets	--	(16,311)	--
Proceeds from sale of railcars	15,376	3,821	39,995
Proceeds from sale of property, plant and equipment	951	240	741
Proceeds from insurance settlements	338	2,346	--
Proceeds from sale of business	--	2,133	--
Net cash used in investing activities	(14,280)	(40,205)	(17,436)
FINANCING ACTIVITIES			
Net increase in short-term borrowings	11,300	26,300	37,300
Proceeds from issuance of long-term debt	23,250	194,723	102,082
Payments of long-term debt	(10,845)	(187,417)	(101,679)
Change in overdrafts	(7,796)	17,827	(3,292)
Proceeds from sale of treasury shares to employees	332	362	429
Dividends paid	(1,907)	(1,819)	(1,616)
Purchase of treasury shares	(1,387)	(3,944)	(5,106)
Net cash provided by financing activities	12,947	46,032	28,118
Increase (decrease) in cash and cash equivalents	(7,441)	(12,476)	22,361
Cash and cash equivalents at beginning of year	13,138	25,614	3,253
Cash and cash equivalents at end of year	$ 5,697	$ 13,138	$ 25,614
NONCASH INVESTING ACTIVITIES			
Acquisition of intangible assets in exchange for long-term debt		$ 3,879	

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

The Andersons, Inc.

Consolidated Statements of Shareholders' Equity

(in thousands)	Common Shares (stated value $0.01 per share)	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Income	Unearned Compensation	Retained Earnings	Total
Balances at January 1, 1999	$ 84	$ 67,180	$ (2,665)	$ (29)	$ (83)	$ 18,247	$ 82,734
Net income						8,379	8,379
Other comprehensive loss							
Minimum pension liability, net of $76 income taxes				(115)			(115)
Comprehensive income							8,264
Stock awards, stock option exercises, and other shares issued to employees and directors		47	613		(231)		429
Amortization of unearned compensation					156		156
Purchase of treasury shares			(5,106)				(5,106)
Dividends declared ($0.21 per common share)						(1,672)	(1,672)
Balances at December 31, 1999	84	67,227	(7,158)	(144)	(158)	24,954	84,805
Net income						10,078	10,078
Other comprehensive income:							
Minimum pension liability, net of $(96) income taxes				144			144
Comprehensive income							10,222
Stock awards, stock option exercises, and other shares issued to employees and directors		(96)	607		(148)		363
Issuance of shares to complete acquisition		(643)	643				--
Amortization of unearned compensation					228		228
Purchase of treasury shares			(3,944)				(3,944)
Dividends declared ($0.245 per common share)						(1,838)	(1,838)
Balances at December 31, 2000	84	66,488	(9,852)	--	(78)	33,194	89,836
Net income						8,857	8,857
Other comprehensive income (loss):							
Cumulative effect of accounting change				(1,172)			(1,172)
Other				208			208
Comprehensive income							7,893
Stock awards, stock option exercises, and other shares issued to employees and directors		(57)	552		(163)		332
Amortization of unearned compensation					158		158
Purchase of treasury shares			(1,387)				(1,387)
Dividends declared ($0.26 per common share)						(1,898)	(1,898)
Balance at December 31, 2001	$ 84	$ 66,431	$(10,687)	$ (964)	$ (83)	$ 40,153	$ 94,934

The Notes to Consolidated Financial Statements on pages 21-32 are an integral part of these statements.

OPERATING RESULTS

Operating results for The Andersons, Inc. business segments are discussed in the Business Review on pages 4 - 11 of this annual report. In addition, Note 13 to the consolidated financial statements displays revenues from external customers, inter-segment sales, other income, non-recurring gains, interest expense (income), operating income (loss), identifiable assets, railcar and capital expenditures and depreciation and amortization for each of the Company's business segments. The following discussion focuses on the operating results as shown in the consolidated statements of income.

COMPARISON OF 2001 WITH 2000

Sales and merchandising revenues for 2001 totaled $984.6 million, an increase of $23.5 million, or 2%, from 2000. Sales in the Agriculture segment were up $11.6 million, or 2%. Grain sales were down $13.5 million, or 3%, due to flat volumes and a 3% decrease in the average price per bushel sold. Fertilizer sales were up $25.1 million, or 17%, due to a 2% increase in volume and a 14% increase in average price per ton sold. Merchandising revenues in the Agriculture segment were up $2.8 million, or 6%, due primarily to increases in drying and mixing income, space income (before interest charges) in the grain division and licensing revenue from the Crop Revenue Profiler (TM) software. Space income includes storage fees earned on grain held for our customers and appreciation in the value of grain owned. Grain bushels on hand at December 31, 2001 were 65.4 million, slightly more inventory than at December 31, 2000.

The Processing segment had a sales increase of $5.4 million, or 5%. The majority of this increase was attributable to increased price per ton sold in the lawn fertilizer division and a full twelve months of sales in 2001 of the U.S. ProTurf(R) product line, which was acquired from The Scotts Company on May 31, 2000. Volume decreased for the period in the consumer and industrial lawn fertilizer businesses (sold into the retail distribution channel) due to softness in the economy coupled with cold weather in much of the spring application season. The much smaller corncob-based businesses experienced a 16% increase in the average price per ton sold, partially offset by an 11% reduction in volume.

The Rail segment had a sales increase of $12.1 million, or 64%. Railcar sales transactions completed during 2001 were up $11.5 million, and lease fleet revenue was up $1.0 million, or 8%. The lease fleet revenue growth was due to an increased number of railcars and locomotives managed and in service as compared to 2000. Railcars managed at December 31, 2001 numbered 5,432, an increase of approximately 13% over railcars managed at December 31, 2000. The segment also added 21 locomotives to its fleet.

The Retail segment experienced decreased sales of $5.9 million, or 3%, in 2001 when compared to 2000. More than half of this decrease relates to an extra (or 53rd) week in the 2000 fiscal year. In addition, weather during the months of January and December in 2001 was mild and demand for our cold weather items was very limited. This is in contrast to the same months in 2000 where weather drove significant sales of cold weather items.

The absence of revenues in the Other segment for 2001 was due to the sale of the Company's interest in The Andersons-Tireman Auto Centers (Tireman), an automotive repair business, in 2000. See the Comparison of 2000 with 1999 for more discussion about that sale.

Gross profit for 2001 totaled $159.3 million, an increase of $2.4 million, or 2%, from 2000. The Agriculture segment had a gross profit increase of $8.5 million, or 11%, resulting from a 28% increase in margin on grain bushels sold, a 14% increase in gross profit on fertilizer tons sold and the 6% increase in merchandising revenues discussed previously. For 2002, the Company expects continued strong performance from this segment. As always, this segment's results are highly dependent on weather conditions during the spring planting season through fall harvest in the eastern corn belt.

Gross profit for the Processing segment decreased $1.8 million, or 8%, from the prior year. This decrease resulted from a 6% decrease in gross profit per lawn fertilizer ton sold and a 6% decrease in lawn fertilizer volume. The decrease in gross profit per ton was primarily caused by high raw material costs coupled with a change in product mix in the 2001 spring season, as customers opted for lower margin products. Gross profit in the corncob-based businesses was up $0.3 million, or 12%. The lawn fertilizer business has been able to lock in better raw material pricing for the upcoming spring fertilizer season and expects gross profit improvement in 2002.

Gross profit in the Rail segment decreased $1.0 million, or 12%, from the prior year. While gross profit from car sales, railcar repairs, the fabrication shop and lease transactions was up, the segment took a $1.5 million charge to write down the book value of certain impaired railcars. The increased sales activity in the latter portion of the year and some indications of future long-term deals are positive indications that the industry is improving; however, the recovery has been slow. Customer preference and market rates are still more focused on short-term lease opportunities rather than long-term leases or outright sales.

Gross profit in the Retail segment decreased by $2.0 million, or 4%, from 2000. Half of this decrease was related to the extra week in 2000 mentioned previously. The remainder was due to the decrease in sales discussed above. New competition is expected in the Toledo market in 2002.

Gross profit in the Other segment declined by $1.5 million in 2001 over 2000 due to the Company's sale of its interest in Tireman in March 2000.

The Company recorded a nonrecurring gain in 2001 and two nonrecurring gains in 2000. The 2001 nonrecurring gain of $0.3 million was related to an insurance recovery for a damaged grain tank at the Albion, Michigan facility. A tank collapse at its Webberville, Michigan wholesale fertilizer facility resulted in a 2000 gain of $2.1 million from an insurance settlement for the replacement of the fixed assets. In addition, the Company recognized a gain of $1.0 million on the sale of its 52.5% interest in Tireman.

Operating, administrative and general expenses for 2001 totaled $139.7 million, a $1.8 million, or 1%, increase from 2000. The increase primarily reflects increased labor and benefits expenses including $1.3 million in severance expense. Full-time employees decreased 4% from the prior year, with reductions in all segments and at the corporate level. While the Company has certain initiatives in place to reduce expenses, it expects property and liability insurance and the cost of providing postretirement health benefits to increase in 2002.

Interest expense for 2001 was $11.6 million, a $0.3 million, or 2%, decrease from 2000. Average daily short-term borrowings increased 1% from 2000 while the average short-term interest rate decreased from 6.95% in 2000 to 5.10% in 2001. However, the Company has increased its long-term debt (including current maturities) 14% from December 31, 2000 to December 31, 2001 and has seen a similar increase in its long-term interest expense.

Income before income taxes of $11.9 million decreased $2.4 million, or 17%, from the 2000 pretax income of $14.4 million. Income tax expense was $2.9 million, a $1.4 million, or 33%, decrease from 2000. The effective tax rate decreased significantly from the 2000 rate of 29.8% to 24.2% in 2001. This significant decrease resulted primarily from an increased benefit from the Company's foreign sales corporation.

The Company recognized an after-tax charge of $0.2 million to record the cumulative effect of adopting the new financial accounting standard on derivatives. As a result of the above, net income for 2001 decreased $1.2 million, or 12%, from the $10.1 million in 2000 to $8.9 million in 2001. Basic earnings per share decreased $0.12 from 2000 and diluted earnings per share decreased $0.13 from 2000.

COMPARISON OF 2000 WITH 1999

Sales and merchandising revenues for 2000 totaled $961.1 million, a decrease of $44.8 million, or 4%, from 1999. Sales in the Agriculture segment were down $32.1 million, or 5%. Grain sales were down $27.8 million, or 6%, due to a 7% volume decrease that was partially offset by a 2% increase in the average price per bushel sold. Fertilizer sales were down $4.2 million, or 3%, due to a 3% increase in volume offset by a 6% decrease in average price per ton sold. Merchandising revenues in the Agriculture segment were up $7.0 million, or 18%, due to basis appreciation of grain inventory and increased income from storing grain and fertilizer for others. Grain bushels on hand at December 31, 2000 were 65.3 million, a 4% decrease from December 31, 1999. The Company added 0.8 million bushels of covered grain storage space in 2000.

The Processing segment had a sales increase of $22.4 million, or 26%. All of this increase was attributable to increased volume and price per ton sold in the lawn fertilizer division. The increased sales in the lawn fertilizer business in 2000 reflect seven months of sales of the U.S. ProTurf(R) product line, which was acquired from The Scotts Company on May 31, 2000. The Company began producing and warehousing lawn fertilizer at an additional facility, located in Alabama, in the fourth quarter of 1999 and purchased its venture partner's interest in a Pennsylvania lawn fertilizer manufacturing facility in late 2000. The corncob-based businesses experienced a 6% reduction in volume, partially offset by a 4% increase in the average price per ton sold.

The Rail segment had a sales decrease of $36.4 million, or 66%. Total revenues in the railcar repair and fabrication shops were down $0.4 million. Railcar sales and financings completed during 2000 were down $36.2 million, or 91%, but lease fleet income was up slightly. Railcars controlled at December 31, 2000 numbered about 4,800, an increase of about 500 cars, or 12%, over that of December 31, 1999. A cyclical downturn in railcar lease values and rental rates, primarily in covered hopper cars, reduced the segment's long-term lease placements and outright sales during 2000.

The Retail segment experienced increased sales of $2.9 million, or 2%, in 2000 when compared to 1999.

On March 31, 2000, the Company completed the sale of its interest in Tireman, one of the businesses included in the Other segment in Note 13 to the consolidated financial statements. As a result, sales in the Other segment decreased by $8.7 million in 2000 as compared to 1999.

Gross profit for 2000 totaled $157.0 million, an increase of $7.0 million, or 5%, from 1999. The Agriculture segment had a gross profit increase of $7.7 million, or 11%, due primarily to the increase in merchandising revenues described previously.

Gross profit for the Processing segment increased $5.6 million, or 34%, from the prior year. This increase resulted from a 22% increase in gross profit per ton and a 14% increase in lawn fertilizer volume, again resulting primarily from the purchase of the U.S. ProTurf(R) product line. Gross profit in the corncob-based businesses was down 8%.

Gross profit in the Rail segment decreased $2.6 million, or 24%, from the prior year. This was due to lower railcar sales and a soft lease market for the segment's primary car type - the covered hopper - and was mostly offset by the increased fleet income.

Gross profit in the Retail segment improved by $1.4 million, or 3%, from 1999. This was due primarily to increased sales and a slight increase in gross margin percentage.

Gross profit in the Other segment declined by $5.1 million in 2000 over 1999 due to the Company's sale of its interest in Tireman in March 2000.

The Company recorded two nonrecurring gains in 2000. A tank collapse at its Webberville, Michigan wholesale fertilizer facility resulted in a gain of $2.1 million from an insurance settlement for the replacement of the fixed assets. In addition, the Company's sale of its 52.5% interest in Tireman resulted in a gain of $1.0 million.

Operating, administrative and general expenses for 2000 totaled $137.8 million, a $5.2 million, or 4%, increase from 1999. The increase primarily reflects increased labor and benefits expenses for added employees and start-up costs related to new production capacity in the Processing segment. Full-time employees increased 4% from the prior year, with the majority of the increase due to the acquisition discussed above and added capacity in the Processing segment.

Interest expense for 2000 was $11.8 million, a $2.3 million, or 24%, increase from 1999. Average daily short-term borrowings increased 11% from 1999 while the average short-term interest rate increased from 5.70% in 1999 to 6.95% in 2000.

Income before income taxes of $14.4 million increased $2.4 million, or 20%, from the 1999 pretax income of $12.0 million. Income tax expense was $4.3 million, a $0.7 million, or 20%, increase from 1999. The effective tax rate decreased slightly from the 1999 rate of 29.9% to 29.8% in 2000.

As a result of the above, net income for 2000 increased $1.7 million, or 20%, from the $8.4 million in 1999 to $10.1 million in 2000. Basic earnings per share increased $0.29 from 1999 and diluted earnings per share increased $0.31 from 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations (before changes in operating assets and liabilities) provided cash of $23.9 million in 2001, an increase of $0.6 million from 2000. Net working capital at December 31, 2001 was $75.0 million, an increase of $19.7 million, or 36%, from December 31, 2000.

The Company has significant short-term lines of credit available to finance working capital, primarily inventories and accounts receivable. Available short-term lines of credit aggregated $155 million on December 31, 2001. The Company had drawn $82.6 million on its short-term lines of credit at that date. The Company's peak short-term borrowing occurred on November 26, 2001 and amounted to $130.4 million. Typically, the Company's highest borrowing occurs in the spring due to seasonal inventory requirements in the fertilizer and retail businesses, credit sales of fertilizer and a customary reduction in grain payables due to cash needs and market strategies of grain customers. The continued high grain inventories during the fall harvest of 2001 was the primary driver for this unusual timing for the Company's highest borrowing.

The Company utilizes interest rate contracts to manage a portion of its interest rate risk on both its short and long-term debt and lease commitments. At December 31, 2001, the fair value of these derivative financial instruments (primarily interest rate swaps and interest rate caps) was a credit of less than $0.1 million and was recorded in the balance sheet. The initial charge to record the fair value of open derivative instruments on January 1, 2001 was $0.4 million ($0.2 million after-tax) which is shown as a cumulative effect of adopting Statement of Financial Accounting Standards No. 133, as amended. Finally, the Company moved the unamortized values of its long-term closed interest rate caps and locks to other comprehensive income at the time of adoption.

Cash dividends of $1.9 million ($0.26 per common share) were paid in 2001. The Company made income tax payments of $2.7 million in 2001. The Company purchased 166 thousand of its common shares on the open market at an average price of $8.38 per share. The Company issued approximately 62 thousand shares to employees, directors and former employees under stock compensation plans.

During 2001, the Company acquired property, plant and equipment aggregating $9.2 million. Included in these assets are $1.5 million for the replacement or addition of wholesale fertilizer and grain storage assets and $1.2 million for information systems investments. The remaining $6.5 million was spent on numerous assets and projects; no single project had a cost of more than $0.3 million. The Company also acquired railcar assets totaling $21.8 million.

Approximately $14.0 million is budgeted for capital spending in 2002, which includes $2.0 million in additional grain and wholesale fertilizer storage and improvements, $0.5 million in lawn fertilizer production equipment, $0.4 million in information systems investments and $0.7 million in retail store refurbishments. The remaining amount will be spent on numerous assets and projects; no single such project is expected to cost more than $0.3 million. In addition, the Company anticipates spending $8.3 million during 2002 to acquire railcars. The Company plans to fund these expenditures with cash generated from operations or additional debt.

The Company added long-term debt during 2001 in order to lock in lower long-term interest rates and add to working capital. Certain of the Company's long-term debt obligations are secured by first mortgages on various facilities or are collateralized by railcar assets. In addition, some of the long-term borrowings

include provisions that impose minimum levels of working capital and equity, impose limitations on additional debt and require that grain inventory positions be substantially hedged. The Company was in compliance with all of these provisions at December 31, 2001 and 2000.

The Company's liquidity is enhanced by the fact that grain inventories are readily marketable and due to the lines of credit that it has available. In the opinion of management, the Company's liquidity is adequate to meet short-term and long-term needs.

OFF-BALANCE SHEET TRANSACTIONS

The Company's Rail segment utilizes leasing arrangements which provide off-balance sheet financing for its activities. The Company leases railcars from financial intermediaries under operating leases through sale-leaseback transactions, the majority of which involve operating leasebacks. Railcars owned by the Company, or leased by the Company from a financial intermediary are generally leased to a customer under an operating lease. The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary, and assigns the related operating lease to the financial intermediary on a non-recourse basis. In such arrangements, the Company generally provides ongoing railcar maintenance and management services for the financial intermediary, and receives a fee for such services.

The Company controlled 5,432 railcars and 51 locomotives at December 31, 2001. Railcars controlled include railcars owned by the Company, railcars leased from financial institutions and railcars and locomotives previously sold by the Company in non-recourse lease transactions, where the Company provides management services on behalf of a financial intermediary. On most of the railcars and locomotives, the Company holds an option to purchase these assets at the end of the lease. The segment's risk management philosophy includes match-funding of lease commitments and detailed review of lessee credit quality. In addition, the Company prefers non-recourse lease transactions, whenever possible, in order to minimize risk.

The December 31, 2001 railcar position included 1,168 railcars leased by the Company from financial intermediaries under various operating leases with an average remaining term in excess of 4 years. Future lease payment commitments for these cars aggregated $24.6 million and are included in note 10 to the Consolidated Financial Statements. The majority of these railcars have been leased to customers at December 31, 2001.

The December 31, 2001 railcar position also included 1,510 railcars and 51 locomotives for which the Company was providing maintenance and/or fleet management services under non-recourse lease transactions. The remaining 2,754 railcars are included on the Company's balance sheet as either railcars available for sale or railcar assets leased to others. Note 10 to the Consolidated Financial Statements includes all future contractual lease income for the 1,168 railcars leased by the Company under operating leases and the Railcar assets leased to others on the Company's balance sheet.

CRITICAL ACCOUNTING POLICIES

The Company marks all grain inventory, forward purchase and sale contracts for grain and exchange-traded futures and options contracts to the market. Changes in market value are recorded as merchandising revenues in the statement of income. Because the Company marks inventories and sales

commitments to the market, gross profit on a grain sale transaction is recognized when a contract for sale of the grain is executed. The related revenue is recognized upon shipment of the grain, at which time title transfers and customer acceptance occurs.

The Company has a marketing agreement that covers certain of its grain facilities. This five-year agreement includes a base-level income guarantee and equal sharing of income over that base level. There is also a look-back provision that places at risk any income in excess of the base level for the term of the agreement upon the occurrence of certain circumstances. The Company has recognized in income the base level guarantee amount for each year of the agreement and spreads its share of the amount in excess of the base level for completed contract years on a pro rata basis over all future periods covered by the agreement. At December 31, 2001, the Company had completed 43 months under the agreement and has deferred income (both current and long-term) in excess of $5.0 million. If the facilities' performance drops below the base-level income guarantee for the remaining 17 months of the contract, the Company is at risk for writing off a portion of this deferred income. If performance is at or greater than the base-level guarantee, the Company will recognize the income it already deferred over that period.

MARKET RISK-SENSITIVE INSTRUMENTS AND POSITIONS

The market risk inherent in the Company's market risk-sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices and interest rates as discussed below.

COMMODITY PRICES

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by population growth and higher standards of living, and global production of similar and competitive crops. To reduce price risk caused by market fluctuations, the Company follows a policy of hedging its inventories and related purchase and sale contracts. The instruments used are exchange-traded futures and options contracts that function as hedges. The market value of exchange-traded futures and options used for hedging has a high, but not perfect correlation, to the underlying market value of grain inventories and related purchase and sale contracts. The less correlated portion of inventory and purchase and sale contract market value (known as basis) is much less volatile than that of exchange-traded futures and tends to follow historical patterns. The Company manages this less volatile risk using its daily grain position report to constantly monitor its position relative to the price changes in the market. To a lesser degree, the Company uses exchange-traded option contracts, also designated as hedges. The changes in market value of such contracts have a high correlation to price changes of the hedged commodity. The Company's accounting policy for these hedges, as well as the underlying inventory positions and purchase and sale contracts is to mark them to the market price daily and include gains and losses in the statement of income in sales and merchandising revenues.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its commodity position (exclusive of basis risk). The Company's daily net commodity position consists of inventories, related purchase and sale contracts and exchange-traded contracts. The fair value of the position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in such prices. The result of this analysis, which may differ from actual results, is as follows:

(in thousands)	DECEMBER 31 2001	2000
Net long position	$3,659	$ 26
Market risk	366	3

INTEREST RATES

The fair value of the Company's long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. In addition, the Company has derivative interest rate contracts recorded in its balance sheet at their fair value. The fair value of these contracts is estimated based on quoted market termination values. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

(in thousands)	DECEMBER 31 2001	2000
Fair value of long-term debt and interest rate contracts	$104,102	$ 88,554
Fair value in excess of (less than) carrying value	2,344	(1,154)
Market risk	2,253	594

FORWARD LOOKING STATEMENTS

The preceding Letter to Shareholders, Business Review and Management's Discussion and Analysis contain various "forward-looking statements" which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including but not limited to those identified below, which could cause actual results to differ materially from historical results or those anticipated. The words "believe," "expect," "anticipate," "will" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The following factors could cause actual results to differ materially from historical results or those anticipated: weather; supply and demand of commodities including grains, fertilizer and other basic raw materials; market prices for grains and the potential for increased margin requirements; competition; economic conditions; risks associated with acquisitions; interest rates; and income taxes.

1. BASIS OF FINANCIAL PRESENTATION / ACQUISITIONS

These consolidated financial statements include the accounts of The Andersons, Inc. and its wholly-owned and majority-owned subsidiaries (the "Company"). All significant intercompany accounts and transactions are eliminated in consolidation.

On May 31, 2000, the Company acquired inventory and intangible assets of the U.S. ProTurf(R) division of The Scotts Company. The acquisition was accounted for as a purchase, and the results of operations have been included in the consolidated statements of income from June 1, 2000. This transaction was completed through a combination of cash paid and liabilities assumed with a total purchase price of approximately $19.8 million. Of this amount, $15.0 million was allocated to inventory and the remainder to goodwill and other intangible assets. Goodwill is being amortized on a straight-line basis over 12 years and the intangible assets over five years. The purchase agreement provides for additional payments to the seller through 2005 if the sales volume of the acquired business exceeds certain targets. These payments, if any, will be accounted for as additional purchase price. If the acquisition had taken place on January 1, 1999, pro forma revenues (unaudited) would have been $993.0 million and $1,078.3 million for the years ended December 31, 2000 and 1999, respectively. The business has been integrated into the Company's Processing segment and is expected to result in significantly different cost and expense structures. Therefore, pro forma operating income, net income and earnings per common share are not presented as they are not meaningful.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and all highly liquid debt instruments purchased with an initial maturity of three months or less. The carrying value of these assets approximates their fair values.

INVENTORIES AND INVENTORY COMMITMENTS

Grain inventories include owned bushels of grain, the value of forward contracts to buy and sell grain and exchange traded futures and option contracts used to hedge the value of both owned grain and forward

contracts. Each of these grain inventory components is marked to the market price. The forward contracts require performance in future periods. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of contracts for the purchase and sale of grain are consistent with industry standards.

All other inventories are stated at the lower of cost or market. Cost is determined by the average cost method.

DERIVATIVES - COMMODITY AND INTEREST RATE CONTRACTS

For the purpose of hedging its market price risk exposure on grain owned and related forward grain purchase and sale contracts, the Company holds regulated commodity futures and options contracts for corn, soybeans, wheat and oats. The Company accounts for all commodity contracts using a daily mark-to-market method, the same method it uses to value grain inventory and forward purchase and sale contracts. Company policy limits the Company's unhedged grain position. While the Company considers all of its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices or due to sale, maturity or extinguishment of the commodity contract), grain inventories and related forward grain contracts are included in sales and merchandising revenues in the statements of income.

The Company also periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. The Company accounts for its long-term interest rate swap contract as a cash flow hedge; accordingly, changes in the fair value of the swap are recognized in other comprehensive income. While the Company considers all of its derivative positions to be effective economic hedges of specified risks, the Company does not designate or account for other open interest rate contracts as hedges. Changes in the market value of all other interest rate contracts are recognized currently in income. Upon termination of a derivative instrument or a change in the hedged item, any remaining fair value recorded on the balance sheet is immediately recorded as a component of interest expense.

The Company recorded in the statement of income a transition adjustment of $305 thousand ($185 thousand after tax) as a result of adopting Financial Accounting Standards Board (FASB) Statement No. 133, as amended, "Accounting for Derivative Instruments and Hedging Activities", on January 1, 2001. This adjustment was made to write down open interest rate contracts to their fair value. The Company also reclassified deferred net losses of $1.2 million to other comprehensive income. This amount represented deferred net losses on the settlement of Treasury rate locks entered into for the purpose of hedging the interest rate component of firm commitment lease transactions. The deferred losses will be recognized as a component of gross profit over the term of the underlying leases.

Prior to the adoption of Statement No. 133, the Company recognized income or expense associated with interest rate swap contracts on the accrual basis over the term of the agreement as a component of interest expense. The cost of short-term interest rate caps was expensed at the date of purchase and long-term interest rate caps expensed over their term. Gains or losses on settlement of Treasury rate locks hedging the interest component of firm commitment lease transactions were recognized over the term of the ensuing lease transaction. The balance of deferred losses on settled Treasury rate locks included in other assets and notes receivable totaled $1.6 million and $1.4 million at December 31, 2000 and 1999,

respectively. The fair value of interest rate contracts was not recognized in the balance sheet prior to 2001.

RAILCARS AVAILABLE FOR SALE

The Company's Rail segment purchases, leases, markets and manages railcars for third parties and for internal use. Railcars to which the Company holds title are shown on the balance sheet in one of two categories - railcars available for sale or railcar assets leased to others. Railcars that have been acquired but have not been placed in service are classified as current assets and are stated at the lower of cost or market. Railcars leased to others, both on short- and long-term leases, are classified as long-term assets and are depreciated over their estimated useful lives. Railcars leased to others under sales-type and direct financing leases are not material.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost. Repairs and maintenance are charged to expense as incurred, while betterments that extend useful lives are capitalized. Depreciation is provided over the estimated economic useful lives of the individual assets, principally by the straight-line method. Estimated useful lives are generally as follows: land improvements and leasehold improvements - 10 to 16 years; buildings and storage facilities - 20 to 30 years; machinery and equipment - 3 to 20 years; and software - 3 to 10 years. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts, with any gain or loss realized upon sale or disposal credited or charged to operations.

INTANGIBLE ASSETS

Intangible assets, primarily purchased intangible assets and goodwill resulting from business acquisitions, are amortized over the estimated period of benefit (ranging from 5 to 12 years) by the straight-line method. Intangible assets of $4.1 million and $5.1 million at December 31, 2001 and 2000, respectively, are included in other assets and notes receivable in the balance sheet. Accumulated amortization at December 31, 2001 and 2000 was $1.8 million and $0.8 million, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets and intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the assets to the future net cash flows the Company expects to generate with the asset. If such assets are considered to be impaired, the Company recognizes impairment expense for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

ACCOUNTS PAYABLE FOR GRAIN

Accounts payable for grain includes the liability for grain purchases on which price has not been established (delayed price). This amount has been computed on the basis of market prices at the end of the year, adjusted for the applicable premium or discount.

DEFERRED INCOME

Certain of the Company's agriculture facilities are subject to a long-term (five-year) marketing agreement with a third party that provides for a base-level income guarantee and equal sharing of income earned over the base level. The marketing agreement includes a look-back provision that places at risk any income in excess of the base level for the term of the agreement. The Company recognizes the base-level income guarantee as revenue on a pro rata basis over the remaining life of the agreement. The Company measures its share of the cumulative income over the base-level income guarantee at the end of each contract year and recognizes such income on a pro rata basis over the remaining life of the agreement.

STOCK-BASED COMPENSATION

The Company has adopted the disclosure-only provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation." Statement No. 123 encourages, but does not require, companies to adopt a fair value method for determining expense related to stock-based compensation. The Company continues to account for stock-based compensation using the intrinsic value method as prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations.

REVENUE RECOGNITION

Sales of products are recognized at the time of shipment. Gross profit on grain sales is recognized when sales are contracted. Revenues from other merchandising activities are recognized as open grain contracts are marked-to-the-market or as services are provided. Sales returns and allowances are provided for at the time sales are recorded. Shipping and handling costs are included in the cost of goods sold.

Sales of railcars, including railcars sold in non-recourse lease transactions, are recorded as revenue on the date of sale. Sales for these transactions totaled $15.3 million, $3.8 million and $40.0 million in 2001, 2000 and 1999, respectively.

LEASE ACCOUNTING

The Company accounts for its leases under FASB Statement 13, as amended, and related pronouncements.

The Company's Rail segment leases and manages railcars for third parties, and leases railcars for internal use. The Company is an operating lessor of railcars that are owned by the Company, or leased by the Company from financial intermediaries. The Company records lease income for its activities as an operating lessor as earned, which is generally spread evenly over the lease term. The Company expenses operating lease payments made to financial intermediaries on a straight-line basis over the lease term.

The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to financial intermediaries and assigns the related operating lease on a non-recourse basis. The Company generally provides ongoing railcar maintenance and management services for the financial intermediaries, and receives a fee for such services. On the date of sale, the Company recognizes the proceeds from sales of railcars in non-recourse lease transactions as revenue. Management and service fees are recognized as revenue when earned; generally spread evenly over the lease term.

INCOME TAXES

Income tax expense for each period includes taxes currently payable plus the change in deferred income tax assets and liabilities. Deferred income taxes are provided for temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the tax rates and laws expected to be in effect when the differences are expected to reverse. The Company evaluates the realizability of deferred tax assets and provides a valuation allowance for amounts that management does not believe are more likely than not to be recoverable.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense of $2.8 million in each of 2001 and 2000 and $2.9 million in 1999 is included in operating, administrative and general expenses.

EARNINGS PER SHARE

Basic earnings per share is equal to net income divided by weighted average shares outstanding. Diluted earnings per share is equal to basic earnings per share plus the incremental per share effect of dilutive options and restricted shares.

(in thousands)	YEAR ENDED DECEMBER 31 2001	2000	1999
Income before cumulative effect of accounting change	$ 9,042	$10,078	$ 8,379
Cumulative effect of change in accounting principle, net of income tax benefit	(185)	--	--
Net income	$ 8,857	$10,078	$ 8,379
Basic earnings per share:			
Income before cumulative effect of accounting change	$ 1.24	$ 1.34	$ 1.05
Cumulative effect of change in accounting principle, net of income tax benefit	(0.02)	--	--
Net income	$ 1.22	$ 1.34	$ 1.05
Diluted earnings per share:			
Income before cumulative effect of accounting change	$ 1.24	$ 1.34	$ 1.03
Cumulative effect of change in accounting principle, net of income tax benefit	(0.03)	--	--
Net income	$ 1.21	$ 1.34	$ 1.03
Weighted average shares outstanding - basic	7,281	7,507	7,996
Restricted shares and shares contingently issuable upon exercise of options	35	18	102
Weighted average shares outstanding - diluted	7,316	7,525	8,098

Diluted earnings per common share excludes the impact of 260 thousand, 634 thousand and 178 thousand employee stock options for 2001, 2000 and 1999, respectively, as such options were antidilutive.

NEW ACCOUNTING STANDARDS

The FASB has issued Statement No. 142, "Goodwill and Other Intangible Assets," which is effective for the Company's 2002 fiscal year. This statement eliminates the amortization of goodwill, among other things, and replaces it with an annual goodwill impairment test. The Company has analyzed the requirements of the statement and expects a reduction in amortization expense of less than $0.2 million for 2002. The Company also believes that the $1.3 million of goodwill it has recorded in other assets and notes receivable is not currently impaired.

The FASB also issued the following statements in 2001. These statements each require prospective application.

- Statement No. 141, "Business Combinations," amends or supersedes existing rules used in accounting for business combinations. The Company does not expect to be impacted by this statement until it makes a future acquisition.

- Statement No. 143, "Accounting for Asset Retirement Obligations," requires the recognition of asset retirement obligations at their net present value. It is effective for the Company's fiscal year beginning January 1, 2003. The Company has not determined the impact, if any, of this statement.

- Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," supersedes Statement No. 121, provides guidance for the application of impairment tests and removes goodwill from the Statement No. 121 impairment calculation. Goodwill impairment is now covered by Statement No. 142. Statement 144 is effective for the Company's fiscal year beginning January 1, 2002. The Company does not believe the impact of adopting this statement will be material.

RECLASSIFICATIONS

Certain amounts in the 2000 and 1999 financial statements have been reclassified to conform to the 2001 presentation. These reclassifications had no effect on net income or shareholders' equity as previously presented.

3. INVENTORIES

Major classes of inventories are as follows:

	DECEMBER 31	
(in thousands)	2001	2000
Grain	$140,316	$111,887
Agricultural fertilizer and supplies	24,240	28,479
Lawn and garden fertilizer and corncob products	43,440	39,810
Railcar repair parts	1,401	1,273
Retail merchandise	28,539	29,866
Other	355	548
	$238,291	$211,863

4. PROPERTY, PLANT AND EQUIPMENT AND RAILCAR ASSETS LEASED TO OTHERS

The components of property, plant and equipment and railcar assets leased to others are as follows:

(in thousands)	DECEMBER 31 2001	2000
Land	$ 11,758	$ 11,899
Land improvements and leasehold improvements	27,937	27,702
Buildings and storage facilities	94,309	93,620
Machinery and equipment	119,460	118,724
Software	3,714	3,850
Construction in progress	4,144	1,878
	261,322	257,673
Less accumulated depreciation and amortization	166,321	159,602
	$ 95,001	$ 98,071
Railcar assets leased to others	$ 30,585	$ 25,085
Less accumulated depreciation	4,483	2,804
	$ 26,102	$ 22,281

On December 31, 2001, the Company entered into a sale leaseback transaction with a financial institution; the Company accounts for its leaseback as a capital lease. These assets have a book value of $4.5 million at December 31, 2001 and are included with other railcars above. Amortization of railcars under capital lease will be included in depreciation expense. At December 31, 2001, there was no accumulated amortization for these assets.

5. NONRECURRING GAINS

During 2000, a grain tank and related assets at the Company's Albion, Michigan facility were destroyed in a windstorm. This facility was insured for replacement value and the Company received insurance funds to replace the assets lost. The 2001 gain of $0.3 million represents the insurance proceeds received in 2001 in excess of the net book value of the destroyed assets.

During 1999, a liquid fertilizer tank and adjoining assets at the Company's Webberville, Michigan facility were destroyed when the tank collapsed. This facility was insured for replacement value and the Company received funds to replace the assets. During 2000, the Company completed the settlement of its insurance claim for the accident. The resultant gain of $2.1 million represents the insurance proceeds in excess of the net book value of the destroyed assets.

In March 2000, the Company sold its interest in The Andersons - Tireman Auto Centers, a joint venture in which it owned a 52.5% interest. The gain of $1.0 million represents proceeds received in excess of the Company's equity investment. This business was previously consolidated in the Company's financial statements and reported in the Other segment in the Company's segment data.

6. BANKING AND CREDIT ARRANGEMENTS

The Company has available lines of credit for unsecured short-term debt with banks aggregating $155.0 million. Borrowings under these facilities totaled $82.6 million at December 31, 2001 ($71.3 million at December 31, 2000). After considering its standby letters of credit totalling $9.0 million, the Company had available borrowing capacity under the facilities of $63.4 million at December 31, 2001. The credit arrangements, the amounts of which are adjusted from time to time to meet the Company's needs, do not have termination dates but are reviewed at least annually for renewal. Borrowings under the lines of credit bear interest at variable interest rates, which are generally based on LIBOR, plus a spread. The terms of certain of the lines of credit provide for annual commitment fees. The following information relates to borrowings under short-term lines of credit:

	DECEMBER 31		
(dollars in thousands)	2001	2000	1999
Maximum amount borrowed	$130,400	$113,800	$110,500
Average daily amount borrowed	91,014	89,798	81,042
Weighted average interest rate	5.10%	6.95%	5.70%

7. LONG-TERM DEBT AND INTEREST RATE CONTRACTS

Long-term debt consists of the following:

(in thousands, except percentages)	DECEMBER 31 2001	DECEMBER 31 2000
Note payable under revolving line of credit	$ 15,000	$ 15,000
Note payable, 7.98%, payable $317 quarterly; remainder due 2008	17,415	18,683
Note payable, 7.00%, payable $316 quarterly beginning in 2004, due 2016	10,681	--
Note payable, variable rate (1.91% at December 31, 2001), payable $315 first and second quarters and $150 third and fourth quarters of 2002, with decreasing quarterly payments thereafter, due 2005	7,750	9,940
Notes payable, variable rate (2.94% at December 31, 2001), payable $336 quarterly; remainder due 2002	1,657	5,046
Industrial development revenue bonds:		
Variable rate (1.70% at December 31, 2001), due 2019	4,650	4,650
Variable rate (3.24% at December 31, 2001), payable $882 annually through 2004	1,944	2,826
Variable rate (1.80% at December 31, 2001), due 2025	3,100	3,100
Liabilities related to acquisition, discounted at 8.25%, due in variable quarterly installments through 2005	3,188	3,508
Debenture bonds, 6.30% to 8.75%, due 2002 through 2011	31,250	25,863
Obligations under capital lease	4,473	--
Other notes payable and bonds	582	669
	101,690	89,285
Less current maturities	10,374	9,126
	$ 91,316	$ 80,159

The Company has an unsecured $15.0 million revolving line of credit with a bank that bears interest based on LIBOR (effective rate of 3.54% at December 31, 2001). The revolving line of credit expires on January 1, 2003.

The notes payable due 2002, 2008 and 2016 and the industrial development revenue bonds are collateralized by first mortgages on certain facilities and related equipment with a book value of $32.0 million. The note payable due 2005 is collateralized by railcars with a book value of $8.0 million.

The various underlying loan agreements, including the Company's revolving line of credit, include certain provisions that require the Company to, among other things:

- maintain minimum working capital of $32.0 million and net equity (as defined) of $43.0 million;
- limit the addition of new long-term debt;
- limit its unhedged grain position to 2.0 million bushels; and
- restrict the amount of dividends paid.

The Company was in compliance with these covenants at December 31, 2001 and 2000.

The aggregate annual maturities of long-term debt, including sinking fund requirements and capital lease obligations, are as follows: 2002--$10.4 million; 2003--$24.9 million; 2004--$6.4 million; 2005--$10.8 million; 2006--$12.8 million; and $36.4 million thereafter.

Interest paid (including interest on short-term lines of credit) amounted to $10.1 million, $11.5 million and $9.0 million in 2001, 2000 and 1999, respectively.

The Company has entered into interest rate contracts to manage interest rate risk on short-term borrowings. The contracts convert variable interest rates to short-term fixed rates, consistent with projected borrowing needs. At December 31, 2001, the Company has two short-term interest rate cap agreements with a total notional amount of $30.0 million to hedge short-term borrowing costs. These agreements provide interest rate caps of between 2.41% and 4.75% and expire between April and July 2002. Also open at December 31, 2001 was an interest rate collar with a notional amount of $10 million that expires in July 2002. This collar provides a floor of 3.98% and a cap of 5.00%. Although these instruments are intended to hedge interest rate risk on short-term borrowings, the Company has elected not to account for them as such. Changes in their fair value are included in interest expense in the statements of income.

The Company entered into a long-term interest rate cap in December 1999 with an initial notional amount of $19.4 million to cap the interest rate component of an operating lease at 6.50%. The cap expires in November 2003. The Company also entered into a long-term interest rate cap in June 2000 with an initial notional amount of $12.5 million to cap the interest rate component of a new long-term note payable at 7.66%. The cap expires in June 2005. The notional amounts on these caps amortize monthly to approximate the reduction in the underlying long-term obligations. The Company has also entered into a long-term interest rate swap in October 2001 to convert the floating interest rate component of an operating lease to a fixed rate of 3.27%. The notional amount of this swap equals the underlying lease obligation and amortizes in the same manner. Changes in the fair value of the caps are included in interest expense in the statements of income. The swap is treated as a cash flow hedge with changes in its fair value included as a component of other comprehensive income.

The fair value of all derivative instruments is included in other assets and notes receivable. The amount for 2001 was not significant. The mark-to-market effect of long-term and short-term interest rate contracts on interest expense was $0.2 million additional expense for 2001.

8. INCOME TAXES

Income tax provision (benefit) consists of the following:

(in thousands)	2001	2000	1999
	YEAR ENDED DECEMBER 31		
Current:			
Federal	$ 3,311	$ 2,219	$ 2,766
State and local	117	(175)	(40)
	3,428	2,044	2,726
Deferred:			
Federal	(496)	1,935	718
State and local	(43)	307	136
	(539)	2,242	854
Total:			
Federal	2,815	4,154	3,484
State and local	74	132	96
	$ 2,889	$ 4,286	$ 3,580

In addition, the Company recognized a deferred income tax benefit of $120 thousand upon adoption of Statement 133. This amount is included in the statement of income as an element of the cumulative effect of accounting change.

A reconciliation from the statutory U.S. federal tax rate to the effective tax rate follows:

	2001	2000	1999
	YEAR ENDED DECEMBER 31		
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate resulting from:			
Effect of commissions paid to foreign sales corporation	(11.3)	(5.8)	(5.3)
State and local income taxes, net of related federal taxes	0.4	0.6	0.5
Other, net	0.1	--	(0.3)
Effective tax rate	24.2%	29.8%	29.9%

Income taxes paid in 2001, 2000 and 1999 were $4.3 million, $3.3 million, and $4.3 million, respectively.

Significant components of the Company's deferred tax liabilities and assets are as follows:

(in thousands)	DECEMBER 31 2001	2000
Deferred tax liabilities:		
Property, plant and equipment and railcar assets leased to others	$(12,898)	$(12,136)
Prepaid employee benefits	(2,949)	(2,727)
Other	(202)	(679)
	(16,049)	(15,542)
Deferred tax assets:		
Employee benefits	5,384	4,726
Deferred income	1,450	1,446
Accounts and notes receivable	1,289	1,296
Inventory	2,456	1,629
Investments	353	552
Other	433	550
	11,365	10,199
Net deferred tax liability	$ (4,684)	$ (5,343)

9. STOCK COMPENSATION PLANS

The Company's Amended and Restated Long-Term Performance Compensation Plan (the LT Plan) authorizes the Board of Directors to grant options and share awards to employees and outside directors for up to 1.4 million of the Company's common shares. Options granted under the LT Plan have a maximum term of 10 years. Options granted to outside directors have a fixed term of five years and vest after one year. Options granted to management personnel under the LT Plan have a five-year term and vest 40% immediately, an additional 30% after one year and the remaining 30% after two years. Options granted under the LT Plan are structured as fixed grants with exercise price equal to the market value of the underlying stock on the date of the grant; accordingly, no compensation expense is recognized for these grants.

The LT Plan also permits awards of restricted stock. The Company issued 21 thousand, 20 thousand and 21 thousand restricted shares during 2001, 2000 and 1999, respectively, of which 28 thousand remain outstanding at December 31, 2001. These shares carry voting and dividend rights; however, sale of the shares is restricted prior to vesting. Restricted shares vest 50% after one year and the remaining 50% after two years. Shares issued under the LT Plan are recorded at their fair value on the grant date with a corresponding charge to shareholders' equity representing the unearned portion of the award. The unearned portion is amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense related to this plan amounted to $158 thousand, $228 thousand and $156 thousand during 2001, 2000 and 1999, respectively.

Certain Company executives and outside directors have elected to receive a portion of their cash compensation in stock options and/or restricted stock issued under the LT Plan. These options and restricted stock vest immediately. The options have a ten-year term. There were 6 thousand, 4 thousand and 4 thousand restricted shares issued in lieu of cash compensation in 2001, 2000 and 1999, respectively.

The Company's Employee Share Purchase Plan (the ESP Plan) allows employees to purchase common shares through payroll withholdings. The Company has reserved 300 thousand common shares for issuance to and purchase by employees under this plan. The ESP Plan also contains an option component. The purchase price per share is the lower of the market price at the beginning or end of the year. Employees purchased 33 thousand, 33 thousand and 39 thousand shares under the ESP Plan in 2001, 2000 and 1999, respectively. The Company records a liability for withholdings not yet applied towards the purchase of common stock. No compensation expense is recognized for stock purchases or options under the ESP Plan.

Pro forma information regarding net income and earnings per share required by Statement No. 123, "Accounting for Stock-Based Compensation," is determined as if the Company accounted for its employee stock options granted under the fair value method. The fair value of each option grant is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions by year.

	2001	2000	1999
LONG TERM PERFORMANCE COMPENSATION PLAN			
Risk free interest rate	4.99%	6.36%	4.58%
Dividend yield	3.01%	2.91%	1.73%
Volatility factor of the expected market price of the Company's common shares	.267	.276	.313
Expected life for the options (in years)	5.00	5.00	5.00
EMPLOYEE SHARE PURCHASE PLAN			
Risk free interest rate	5.32%	5.98%	4.58%
Dividend yield	3.01%	2.91%	1.73%
Volatility factor of the expected market price of the Company's common shares	.267	.276	.313
Expected life for the options (in years)	1.00	1.00	1.00

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

(in thousands, except for per common share information)	2001	2000	1999
Net income as reported	$ 8,857	$ 10,078	$ 8,379
Pro forma net income	$ 8,539	$ 9,715	$ 7,936
Pro forma earnings per common share:			
Basic	$ 1.17	$ 1.29	$ 0.99
Diluted	$ 1.17	$ 1.29	$ 0.98

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

(common shares in thousands)	2001		2000		1999	
	LONG-TERM PERFORMANCE COMPENSATION PLAN					
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	862	$ 9.24	671	$ 9.60	499	$ 8.89
Granted	224	8.63	229	8.25	183	11.56
Exercised	(93)	8.83	--	--	(6)	9.00
Expired/forfeited	(78)	8.68	(38)	9.59	(5)	11.30
Outstanding at end of year	915	$ 9.18	862	$ 9.24	671	$ 9.60

	2001	2000	1999
Weighted average fair value of options granted during year	$2.00	$2.18	$3.44
Options exercisable at end of year	732	687	519
Weighted average exercise price of options exercisable at end of year	$9.35	$9.27	$9.23

Options available for grant at December 31, 2001	301
Price range of options at December 31, 2001	$8.25 to $12.38
Weighted average remaining contractual life	2.88

10. LEASES AND RELATED COMMITMENTS

Railcar leasing activities:

The Company is a lessor of railcars. The majority of railcars are leased to customers under operating leases that may be either net leases or full service leases, under which the Company provides maintenance and fleet management services. The Company also provides services to financial intermediaries to which it has sold railcars and locomotives in non-recourse lease transactions. Fleet management services generally include maintenance, escrow, tax filings and car tracking services.

Many of the Company's leases provide for renewals. The Company also generally holds purchase options for railcars it has sold and leased-back from a financial intermediary, and railcars sold in non-recourse lease transactions.

Lease income from operating leases to customers and rental expense for railcar leases were as follows:

(in thousands)	YEAR ENDED DECEMBER 31 2001	2000	1999
Rental and service income - operating leases	$ 9,896	$ 9,497	$ 9,811
Rental expense	$ 4,387	$ 4,778	$ 5,405

Future minimum rentals and service income for all noncancelable railcar operating leases greater than one year are as follows:

(in thousands)	FUTURE RENTAL AND SERVICE INCOME - OPERATING LEASES	FUTURE MINIMUM RENTAL EXPENSE
Year ended December 31		
2002	$10,150	$ 5,838
2003	8,126	5,431
2004	6,336	3,838
2005	4,988	2,387
2006	3,564	1,417
Future years	12,653	5,656
	$45,817	$24,567

Other leasing activities:

The Company, as lessee, leases real property, vehicles and other equipment under operating leases. Certain of these agreements contain lease renewal and purchase options. Net rental expenses under these agreements was $6.4 million, $6.1 million and $5.6 million in 2001, 2000 and 1999, respectively. Future minimum lease payments under these agreements are as follows: 2002--$4.6 million; 2003--$3.4 million; 2004--$2.4 million; 2005--$2.1 million; 2006--$0.8 million; and $0.6 million thereafter.

11. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company provides retirement benefits for substantially all of its employees under several defined benefit and defined contribution plans. The Company's expense for its defined contribution plans amounted to $1.4 million, $1.4 million and $1.3 million in 2001, 2000 and 1999, respectively. The Company also provides certain health insurance benefits to employees including retirees.

Following are the details of the liability and funding status of the pension and postretirement benefit plans:

(in thousands)	PENSION BENEFITS 2001	PENSION BENEFITS 2000	POSTRETIREMENT BENEFITS 2001	POSTRETIREMENT BENEFITS 2000
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$25,151	$21,376	$ 11,372	$ 9,390
Service cost	1,884	2,062	610	434
Interest cost	1,560	1,625	1,224	766
Actuarial (gains)/losses	(121)	1,232	6,493	1,232
Plan amendment	--	--	--	185
Participant contributions	--	--	73	44
Benefits paid	(1,515)	(1,144)	(822)	(679)
Benefit obligation at end of year	26,959	25,151	18,950	11,372
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	26,117	26,364	--	--
Actual losses on plan assets	(1,671)	(850)	--	--
Company contributions	1,549	1,747	749	635
Participant contributions	--	--	73	44
Benefits paid	(1,515)	(1,144)	(822)	(679)
Fair value of plan assets at end of year	24,480	26,117	--	--
Funded (underfunded) status of plans at end of year	(2,479)	966	(18,950)	(11,372)
Unrecognized net actuarial loss	5,369	1,478	9,825	3,735
Unrecognized prior service cost	115	142	--	--
Unrecognized net transition obligation	--	--	1,217	1,328
Prepaid (accrued) benefit cost	$ 3,005	$ 2,586	$ (7,908)	$ (6,309)

Amounts recognized in the consolidated balance sheets at December 31 consist of:

(in thousands)	PENSION BENEFITS 2001	PENSION BENEFITS 2000	POSTRETIREMENT BENEFITS 2001	POSTRETIREMENT BENEFITS 2000
Accrued expenses	$ (1,243)	$ (1,273)	$ --	$ --
Pension and postretirement asset (liability)	4,248	3,859	(7,908)	(6,309)
Net amount recognized	$ 3,005	$ 2,586	$ (7,908)	$ (6,309)

In 2000, as part of its purchase of the U.S. ProTurf(R) assets, the Company assumed certain postretirement benefit obligations with regard to a group of employees that were hired. This additional obligation of $185 thousand is shown above as a plan amendment in 2000. Included in pension and postretirement benefits are $1.6 million and $1.2 million at December 31, 2001 and 2000, respectively, of deferred compensation for certain employees who, due to Internal Revenue Service guidelines, may not take full

advantage of the Company's primary defined contribution plan. Assets funding this plan are recorded at fair value in prepaid expenses and other current assets.

Amounts applicable to a Company defined benefit plan with accumulated benefit obligations in excess of plan assets are as follows:

(in thousands)	2001	2000
Projected benefit obligation	$ 933	$ 1,026
Accumulated benefit obligation and additional liability	$ 137	$ 192
Minimum liability reduction	$ --	$ (407)
Intangible asset adjustment	--	167
	--	(240)
Tax benefit	--	96
Other comprehensive income	$ --	$ (144)

Following are components of the net periodic benefit cost for each year:

(in thousands)	PENSION BENEFITS 2001	2000	1999	POSTRETIREMENT BENEFITS 2001	2000	1999
Service cost	$ 1,884	$ 2,062	$ 1,996	$ 610	$ 434	$ 343
Interest cost	1,560	1,625	1,359	1,224	766	604
Expected return on plan assets	(2,366)	(2,353)	(1,956)	--	--	--
Amortization of prior service cost	26	26	26	--	--	--
Recognized net actuarial loss	25	73	32	420	157	112
Amortization of net transition obligation	--	--	--	111	111	111
Benefit cost	$ 1,129	$ 1,433	$ 1,457	$2,365	$1,468	$1,170

	PENSION BENEFITS 2001	2000	POSTRETIREMENT BENEFITS 2001	2000
WEIGHTED AVERAGE ASSUMPTIONS AS OF DECEMBER 31				
Discount rate	7.25%	7.5%	7.25%	7.5%
Expected return on plan assets	9.0%	9.0%	--	--
Rate of compensation increases	4.0%	4.0%	--	--
Health care cost trend rate	--	--	8.0%	5.5%

The health care cost trend rate of 8.0% is assumed to decline 0.5% per year to 5.0% and remain at that level thereafter.

The assumed health care cost trend rate has a significant effect on the amounts reported for postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

(in thousands)	ONE-PERCENTAGE-POINT INCREASE	ONE-PERCENTAGE-POINT DECREASE
Effect on total service and interest cost components in 2001	$ 373	$ (291)
Effect on postretirement benefit obligation as of December 31, 2001	3,272	(2,616)

To partially fund self-insured health care and other employee benefits, the Company makes payments to a trust. Assets of the trust amounted to $4.5 million and $3.0 million at December 31, 2001 and 2000, respectively, and are included in prepaid expenses and other current assets.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the Company's cash equivalents, margin deposits, short-term borrowings and certain long-term borrowings approximate their carrying values since the instruments are close to maturity and/or carry variable interest rates based on market indices. The Company accounts for investments in affiliates on the equity method. The estimated fair value of these investments could not be obtained without incurring excessive costs as they have no quoted market price.

Certain long-term notes payable and the Company's debenture bonds bear fixed rates of interest and terms of up to fifteen years. Based upon current interest rates offered by the Company on similar bonds and rates currently available to the Company for long-term borrowings with similar terms and remaining maturities, the Company estimates the fair values of its long-term debt instruments outstanding at December 2001 and 2000 as follows:

(in thousands)	CARRYING AMOUNT	FAIR VALUE
2001:		
Long-term notes payable	$31,284	$32,695
Debenture bonds	31,250	32,189
	$62,534	$64,884
2000:		
Long-term notes payable	$22,191	$22,424
Debenture bonds	25,863	24,773
	$48,054	$47,197

13. BUSINESS SEGMENTS

The Company's operations include four reportable business segments that are distinguished primarily on the basis of products and services offered. The Agriculture segment includes grain merchandising, the operation of terminal grain elevator facilities and the manufacture and distribution of agricultural inputs, primarily fertilizer, to dealers and farmers. The Processing segment includes the production and

distribution of lawn care and corncob-based products. The Rail segment includes the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Retail segment includes the operation of six large retail stores, a distribution center and a lawn and garden equipment sales and service shop.

Included in the Other segment are the operations of several smaller businesses and corporate level amounts not attributable to an operating segment. These smaller businesses included the operations of ten auto service centers (a joint venture that was sold in March 2000) and the marketing of the Company's excess real estate.

The segment information below (in thousands) includes the allocation of expenses shared by one or more segments. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. Inter-segment sales are made at prices comparable to normal, unaffiliated customer sales. Operating income (loss) for each segment is based on net sales and merchandising revenues plus identifiable other income less all identifiable operating expenses, including interest expense for carrying working capital and long-term assets. Capital expenditures include additions to property, plant and equipment, software and intangible assets.

2001	AGRICULTURE	PROCESSING	RAIL	RETAIL	OTHER	TOTAL
REVENUES FROM EXTERNAL CUSTOMERS	$ 662,790	$ 112,827	$ 31,061	$ 177,949	--	$ 984,627
INTER-SEGMENT SALES	5,645	1,212	930	--	--	7,787
OTHER INCOME	1,196	300	248	618	1,141	3,503
GAIN ON INSURANCE SETTLEMENT	338	--	--	--	--	338
INTEREST EXPENSE (INCOME) (a)	6,179	3,428	1,846	1,900	(1,783)	11,570
OPERATING INCOME (LOSS)	19,765	(7,654)	(349)	1,868	(1,699)	11,931
IDENTIFIABLE ASSETS	244,289	84,709	45,037	57,289	22,752	454,076
CAPITAL EXPENDITURES	5,845	1,549	166	907	688	9,155
RAILCAR EXPENDITURES	--	--	21,790	--	--	21,790
DEPRECIATION AND AMORTIZATION	6,399	2,341	2,432	2,426	666	14,264

2000	AGRICULTURE	PROCESSING	RAIL	RETAIL	OTHER	TOTAL
Revenues from external customers	$ 648,410	$ 107,434	$ 18,972	$ 183,817	$ 2,489	$ 961,122
Inter-segment sales	5,896	1,280	1,029	--	--	8,205
Other income	1,204	358	233	611	1,583	3,989
Gain on sale of business	--	--	--	--	992	992
Gain on insurance settlement	2,088	--	--	--	--	2,088
Interest expense (income) (a)	6,186	3,424	1,748	1,706	(1,235)	11,829
Operating income (loss)	14,301	(3,470)	1,003	3,246	(716)	14,364
Identifiable assets	215,927	87,092	41,548	60,178	28,451	433,196
Capital expenditures (b)	9,648	9,276	72	1,484	488	20,968
Railcar expenditures	--	--	16,245	--	--	16,245
Depreciation and amortization	6,223	2,032	1,417	2,755	692	13,119

1999	AGRICULTURE	PROCESSING	RAIL	RETAIL	OTHER	TOTAL
Revenues from external customers	$673,523	$84,990	$55,325	$180,887	$11,197	$1,005,922
Inter-segment sales	3,867	1,373	969	--	--	6,209
Other income	761	471	161	435	2,367	4,195
Interest expense (income) (a)	6,036	1,720	1,132	1,712	(1,083)	9,517
Operating income (loss)	6,054	(95)	4,225	2,645	(870)	11,959
Identifiable assets	183,370	58,416	31,653	61,311	42,026	376,776
Capital expenditures	8,181	6,589	266	2,140	1,008	18,184
Railcar expenditures	--	--	40,209	--	--	40,209
Depreciation and amortization	5,787	1,285	764	2,433	1,013	11,282

(a) The interest income reported in the Other segment includes net interest income at the corporate level. These amounts result from a rate differential between the interest rate on which interest is allocated to the operating segments and the actual rate at which borrowings are made.

(b) Capital expenditures in 2000 include assets purchased in exchange for common stock and long-term liabilities.

Grain sales for export to foreign markets amounted to approximately $191 million, $172 million and $146 million in 2001, 2000 and 1999, respectively. In 1999, sales of rail equipment totaling $18 million were made to a foreign customer.

Grain sales of $122 million, $153 million and $162 million in 2001, 2000, and 1999, respectively, were made to an unaffiliated customer.

CORPORATE OFFICERS

DENNIS J. ADDIS
President,
Wholesale Fertilizer Division

DANIEL T. ANDERSON
President, Retail Group

MICHAEL J. ANDERSON
President & Chief Executive Officer

RICHARD M. ANDERSON
President, Processing Group

RICHARD P. ANDERSON
Chairman

DALE W. FALLAT
Vice President,
Corporate Services

PHILIP C. FOX
Vice President,
Corporate Planning

CHARLES E. GALLAGHER
Vice President Human Resources

RICHARD R. GEORGE
Vice President &
Controller

BEVERLY J. MCBRIDE
Vice President, General Counsel & Corporate Secretary

HAROLD M. REED
President, Grain Division

RASESH H. SHAH
President, Rail Group

GARY L. SMITH
Vice President, Finance & Treasurer

BOARD OF DIRECTORS

DONALD E. ANDERSON(3)
Director of Science, Retired
The Andersons, Inc.

MICHAEL J. ANDERSON(3)
President & Chief Executive Officer
The Andersons, Inc.

RICHARD M. ANDERSON(3)
President, Processing Group
The Andersons, Inc.

RICHARD P. ANDERSON(3)
Chairman
The Andersons, Inc.

THOMAS H. ANDERSON(3)
Chairman Emeritus
The Andersons, Inc.

JOHN F. BARRETT(2) (3)
President & Chief Executive Officer
The Western & Southern Life Insurance Co.

PAUL M. KRAUS(3)
Attorney
Marshall & Melhorn LLC

DONALD L. MENNEL(1)(3)
President & Treasurer
The Mennel Milling Company

DAVID L. NICHOLS(1)(3)
President & Chief Operating Officer,
Rich's/Lazarus/Goldsmith's Division of Federated Department Stores, Inc.

DR. SIDNEY RIBEAU(2)(3)
President
Bowling Green State University

CHARLES A. SULLIVAN(1)(3)
Chairman & Chief Executive Officer
Interstate Bakeries Corp

JACQUELINE F. WOODS(2)(3)
Retired President
Ameritech Ohio

(1) Audit Committee
(2) Compensation Committee
(3) Nominating Committee

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP, Toledo, OH

NASDAQ SYMBOL

The Andersons, Inc. common shares are traded on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol ANDE

SHAREHOLDERS

As of March 1, 2001, there were 7,317,446 shares of common stock outstanding: 864 shareholders of record and approximately 1,600 shareholders for whom security firms acted as nominees.

INVESTOR INFORMATION

CORPORATE OFFICES
The Andersons, Inc
480 West Dussel Drive
Maumee, OH 43537
419-893-5050
www.andersonsinc.com

TRANSFER AGENT & REGISTRAR

Computershare Investor Services, LLC
2 North LaSalle Street
Chicago, IL 60602
312-588-4991

FORM 10-K
The Andersons' 2001 Form 10-K, filed in mid-March 2002 with the SEC, is available to stockholders and interested individuals without charge by writing or calling Investor Relations.

INVESTOR RELATIONS
Gary L. Smith
Vice President, Finance & Treasurer
419-891-6417
gary_smith@andersonsinc.com

ANNUAL MEETING
The annual shareholders' meeting of The Andersons, Inc. will be held at The Andersons' Conference Center, 535 Illinois Ave, Maumee, OH at 10:30 a.m. on April 25, 2002.

OUR MISSION

We firmly believe that our company is a powerful vehicle through which we channel our time, talent, and energy in pursuit of the fundamental goal of serving God by serving others.

Through our collective action we greatly magnify the impact of our individual efforts to:

- Provide extraordinary service to our customers
- Help each other improve
- Support our communities
- Increase the value of our Company

The Andersons, Inc.
480 West Dussel Drive
Maumee, Ohio 43537

Exhibit 21

SUBSIDIARIES OF THE ANDERSONS

Subsidiary	State of Organization
The Andersons Ag Software, Inc (a corporation owned 100% by Metamora Commodity Company, Incorporated)	Ohio
The Andersons Agriculture Group, LP (a limited partnership owned 99% by The Andersons, Inc. and owned 1% by TAI Holdings, Inc.)	Ohio
The Andersons Agriservices, Inc. (a corporation owned 100% by The Andersons, Inc.)	Illinois
The Andersons AgVantage Agency, LLC (a limited liability corporation owned 100% by Metamora Commodity Company, Incorporated)	Ohio
The Andersons ALACO Lawn, Inc. (a corporation owned 100% by The Andersons, Inc.)	Alabama
The Andersons Export Sales Corp. (a corporation owned 100% by The Andersons, Inc.)	Barbados
The Andersons Investment Services Corp. (a corporation owned 100% by The Andersons Agriculture Group, Inc.)	Ohio
The Andersons Lawn Fertilizer Division, Inc. (a corporation owned 100% by The Andersons, Inc.)	Ohio
The Andersons Mower Center, Inc. (a corporation owned 100% by The Andersons, Inc.)	Ohio
The Andersons Technologies, Inc. (a corporation owned 100% by The Andersons Lawn Fertilizer Division, Inc.)	Michigan
Crop & Soil Service, Inc. (a corporation owned 100% by The Andersons, Inc.)	Ohio
Metamora Commodity Company Incorporated (a corporation owned 100% by The Andersons, Inc.)	Ohio
TAI Holdings, Inc. (a corporation owned 100% by The Andersons, Inc.)	Michigan

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-80785) pertaining to The Andersons, Inc. Amended and Restated Long-Term Performance Compensation Plan, (Form S-8 No. 333-00233) pertaining to The Andersons, Inc. Employee Share Purchase Plan, (Form S-8 No. 333-53137) pertaining to The Andersons, Inc. Retirement Savings and Investment Plan and (Form S-3 No. 333-79307) pertaining to the registration of debenture bonds of The Andersons, Inc. of our report dated January 24, 2000, with respect to the consolidated financial statements and schedule of The Andersons, Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

/s/Ernst & Young LLP

Toledo, Ohio
March 18, 2002

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-80785, 333-00233 and 333-53137) and Registration Statement on Form S-3 (No. 333-79307) of The Andersons, Inc. of our report dated January 28, 2002 relating to the consolidated financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 28, 2002 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Toledo, Ohio
March 18, 2002